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Part 5

DEPARTMENT OF DEFENSE AUTHORIZATION FOR APPROPRIATIONS FOR FISCAL YEAR 1985

HEARINGS

BEFORE THE

COMMITTEE ON ARMED SERVICES
UNITED STATES SENATE

NINETY-EIGHTH CONGRESS

SECOND SESSION

ON

S. 2414

TO AUTHORIZE APPROPRIATIONS FOR FISCAL YEAR 1985 FOR THE ARMED FORCES FOR PROCUREMENT, FOR RESEARCH, DEVELOPMENT, TEST, AND EVALUATION, FOR OPERATION AND MAINTENANCE, AND FOR WORKING CAPITAL FUNDS, TO PRESCRIBE PERSONNEL STRENGTH FOR SUCH FISCAL YEAR FOR THE ARMED FORCES AND FOR CIVILIAN EMPLOYEES OF THE DEPARTMENT OF DEFENSE, AND FOR OTHER PURPOSES

PART 5
MANPOWER AND PERSONNEL

MARCH 6, 9, 20, 22, 1984

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DEPARTMENT OF DEFENSE AUTHORIZATION FOR APPROPRIATIONS FOR FISCAL YEAR 1985

TUESDAY, MARCH 6, 1984

U.S. Senate,
Subcommittee on Manpower and Personnel,
Committee on Armed Services,
Washington, DC.

FORCE STRUCTURE REQUIREMENTS AND CAPABILITIES

The subcommittee met in open session, pursuant to notice, at 10:08 a.m., in room SR-232A, Russell Senate Office Building, Senator Roger W. Jepsen (chairman) presiding.

Members present: Senators Jepsen and Thurmond.

Staff present: Patrick A. Tucker, counsel; Arnold L. Punaro, staff director for the minority; Richard D. Finn, Jr., George K. Johnson, Jr., and David S. Lyles, professional staff members; Barbara B. Brown, Mary J. Kampo, and Patricia L. Watson, staff assistants.

Also present: Ronald P. Kelly, assistant to Senator Humphrey; Dale E. Gerry, assistant to Senator Cohen; Bernard R. Toon, assistant to Senator Quayle; Mary A. Shields, assistant to Senator Stennis; and Jeffrey B. Subko, assistant to Senator Exon.

OPENING STATEMENT BY SENATOR ROGER W. JEPSEN, CHAIRMAN

Senator Jepsen. The Manpower and Personnel Subcommittee meets this morning to begin its review of the Department of Defense manpower request for fiscal year 1985.

Today's hearing on force structure requirements and capabilities is the first of four authorization hearings that the subcommittee currently plans to hold. The remaining three hearings will address active duty and civilian manpower, the mix of Active and Reserve Forces, and military compensation.

The Manpower Subcommittee has traditionally opened its review of the annual Defense Department manpower request by examining the underlying force structure plans.

This morning, Gen. Richard Stilwell, the Deputy Under Secretary of Defense for Policy, will describe the security commitments which the United States has undertaken to secure its national defense.

He will then be followed by Maj. Gen. William Klein, the Vice Director of the JCS Plans and Policy Directorate. General Klein will build on General Stilwell's presentation by discussing the structure and deployment of the U.S. military forces that carry out these commitments.

Today's discussion will help the subcommittee to understand the Defense Department's manpower plans for fiscal year 1985 and later years.

In order to meet our increasing security commitments, our land, naval, and Air Force structure has been growing and is projected to continue to expand during the next 5 years. The size and effective use of the military manpower required to fill that growing force structure are the primary concerns of this subcommittee.

I believe that this morning's hearing will be most helpful if it remains focused on broad force structure issues. Therefore, I hope that subcommittee members will pitch their questions to that level and reserve their questions on more specific personnel management programs for our later hearings.

I have been advised that Senator Dixon has had some travel problems and may be somewhat late. He planned to be here this morning. I look forward to working with the Senator as ranking minority member. I have been most impressed with his record during his tenure in the Senate and am confident that the new ranking member will make a very valuable contribution to the subcommittee's important work.

Senator Dixon has a statement for the record. It will be entered into the record as if read.

[The prepared statement of Senator Dixon follows:]

PREPARED STATEMENT OF SENATOR ALAN J. DIXON

Mr. Chairman, I want to join you in welcoming General Stilwell and General Klein to the subcommittee this morning.

The Presidents' annual Defense budget represents the implementation of our national security policy. The budget provides for the operation, maintenance and modernization of our military force structure. All of us agree that the actual capabilities of our force structure must enable us to fight any potential battles and deter any potential enemies.

Ideally, the size of our military forces should be driven by our national commitments and by the force structure that we as a nation require to carry out these commitments. As a new member of the Armed Services Committee and of this subcommittee, I was pleased to discover that the Manpower and Personnel Subcommittee begins its annual review of the Defense manpower program with a review of the national commitments and force structure from which the defense manpower requirements are derived.

The Reagan administration has proposed a Five Year Defense program totaling over $1.9 trillion. Under President Reagan's program, defense budget authority in fiscal year 1989 will be two and one half times—250 percent the level in 1981 when he came into office.

This level of defense spending is unprecedented in our recent history. In constant dollars, the defense budget proposed for fiscal year 1985 is the highest since the end of World War II, and is even higher than the height of the Korean War.

All of us realize that the Presidents' defense budget is going to be reduced significantly by the Congress this year. The question we should be looking at over the next few months is what effect, if any, these reductions are going to have on the capability of our forces to meet our national commitments.

Mr. Chairman, I look forward to the witnesses testimony.

Senator **JEPSEN**. Gentlemen, I thank you for appearing before us this morning.

I would also advise you that your written prepared statements will be entered into the record as if read. You may, therefore, proceed in any manner you so desire.

It is quite ironic, maybe timely, that these subcommittee hearings start at this time after some 3 to 4 days in the national media of announcements and, many, many stories and comments, and I think they are just beginning on our state of military readiness.

Whether accurate or not, the story is being spread across this Nation that we are in worse shape today than we were 3 years ago, I think it is something that should be addressed and should be answered very quickly.

I expect to touch on this area today and if you have any general comments that would bring some interpretation other than what I have been hearing and reading, I would appreciate it.

General Stilwell and General Klein, have you decided in what order you want to proceed?

STATEMENT OF GEN. RICHARD STILWELL, U.S. ARMY (RETIRED), DEPUTY UNDER SECRETARY OF DEFENSE FOR POLICY

General **Stilwell**. Mr. Chairman, I think we will proceed in accordance with seniority as reckoned by age. I will, therefore, with your permission, start off.

Senator **Jepsen**. All right.

General **Stilwell**. Mr. Chairman, we thank you for the invitation to testify today about the security commitments of the United States and the defense programs that maintain our Nation's security.

Having submitted a prepared statement for the record, I will summarize the points therein.

Senator **Jepsen**. Excuse me, General. I would like to recognize Senator Thurmond.

Senator **Thurmond**. Mr. Chairman, to save time, I have a few questions that I will place in the record.

I welcome the gentlemen here.

General **Stilwell**. Thank you sir. I am delighted to see an old friend and distinguished American, Senator Thurmond.

Derived from the Constitution, itself, sir, the Armed Forces' mission is to protect our vital national interests. From our examination of these interests, we have developed national security objectives, the most important of which is to perpetuate our freedom by deterring war.

The first step in deterring war is to measure the ability of our potential adversaries to initiate aggression. Only through a thoughtful and mature appreciation of the threat can we frame our requirements in a realistic fashion.

We simply cannot obscure the fact that the Soviet Union is our principal potential adversary because it is self-evident that Soviet strategy is directed against us and our vital interests.

May I say parenthetically, sir, we will be issuing 1 month hence the third edition of "Soviet Military Power" which presents in very stark terms the unrelenting buildup of Soviet military forces. That includes both strategic nuclear and conventional forces which, in the aggregate, go far beyond anything remotely justificable for self-defense.

We have witnessed this buildup without surcease for the last 20 years. Regrettably this expansion of Soviet power and power projection has made the defense of essential U.S. national interests more difficult and much more costly.

There is no more efficient or effective way to meet the Soviet threat than through collective security arrangements. Ultimately what gives sinew to our system of alliances is our strategic nuclear power, our command of the world's sea and air lanes, our forward deployments and our assured capability, in time of crisis, to reinforce and resupply the on-scene defense forces of our allies and ourselves in Europe and Asia and in our own hemisphere.

You are aware, Mr. Chairman, of the principal multilateral defense treaties that tie us to 42 countries. In addition to the multilateral treaties, we are bound to other nations through bilateral agreements.

Apart from formal obligations, the Department of Defense is prepared to support obligations relating to our membership in the United Nations. While there are no U.S. combat troops serving under U.N. auspices at the present time, we have that obligation to respond if called upon.

We are also obliged to recognize the commitments based on our Nation's special relationships with some countries, particularly in the Middle East.

Furthermore, we are bound to consider requirements connected with ensuring the uninterrupted flow of oil for ourselves and our allies from the Persian Gulf region.

As my statement clearly shows, sir, our treaty commitments, both the multilateral and bilateral are a major determinant of our Nation's defense strategy, but only one component thereof.

A full appreciation can only be realized from the perspective of basic U.S. interests, objectives, and threats. We employ forward-deployed forces and flexible U.S.-based forces—on which General Klein will elaborate—to buttress the collective defense embodied in treaties and to meet the totality of U.S. national and defense requirements.

That concludes my short summary, Mr. Chairman.

[The prepared statement of General Stilwell follows:)

PREPARED STATEMENT BY GEN. RICHARD G. STILWELL, U.S. ARMY (RETIRED), DEPUTY UNDER SECRETARY OF DEFENSE FOR POLICY

Mr. Chairman and Members of the Subcommittee, thank you for the invitation to testify. We, at the Department of Defense welcome any opportunity to discuss our national security and the capabilities available to maintain that security. As you requested, I will address the commitments that determine our defense posture, and will be followed by Major General Klein who will discuss the forces that support these commitments.

NATIONAL SECURITY OBJECTIVES

Let me begin with the fundamental commitment of our armed forces. It is, in the words of the Preamble of the Constitution, "to provide for the common defense;" or, in contemporary terms—to protect our vital national interests. From those interests flow our national security objectives, the most basic of which is to preserve the United States as a free nation with its fundamental institutions and values intact. Derivative objectives include: deterring attack—particularly nuclear attack on the United States and its allies; protecting our citizens and assets abroad; ensuring full use of the world's oceans and access to space; and, should deterrence fail, denying the adversary his attack objectives and swiftly terminating the conflict on favorable terms and with least possible damage to this nation. We also seek the containment and reversal of Soviet expansion and positive long-term changes in the Soviet system. Finally, we are pursuing equitable and verifiable arms control agreements on both nuclear and conventional forces.

These objectives constitute one of the two major determinants of the military posture the United States must maintain. The second determinant—and unlike the first, a variable—is the threat or threats confronting attainment of those objectives.

THREATS TO NATIONAL SECURITY

The U.S. faces challenges to its national interests from a number of sources, but the major threat stems from the expansionist goals of the Soviet regime and the role of its constantly growing military forces in carrying out the grand strategy for attainment of those goals. Soviet military capabilities have expanded in three ways. One is the massive military buildup, both quantitative and qualitative, which has been shifting the military balance in the favor of the Soviet Union. Another is the increasingly offensive orientation of those forces. A third is the expansion of the global reach of its military forces, which enables projection of Soviet influence and power well beyond the Eurasian landmass.

Consequently, we and our allies no longer confront—as we did in the early 1960s—a Soviet Union distinctly inferior in many measures of military power. Twenty years ago Soviet nuclear forces were clearly inferior to our own. Warsaw Pact ground forces although large, had comparatively poor weapons, limited tactical mobility and sustainability, and only marginally effective tactical air support.

Soviet forces in the Transcaucus region were weak and posed no appreciable threat to the Persian Gulf, where a seemingly stable Iran was upgrading its forces. Finally, the Soviet Navy was essentially a coastal force with limited potential for interdicting the vital sea lanes connecting us with our allies and with critical sources of raw materials.

By contrast, we are now faced with a Soviet Union that has deprived us of our advantage in nuclear arms. Warsaw Pact ground forces have been expanded and modernized, are more mobile, and have more sustaining power. Their air forces likewise have been modernized, and are becoming increasingly capable in air superiority, ground support and interdiction missions. Soviet ground and air forces threatening both Southwest and Northeast Asia are being steadily improved. Iran is no longer an ally. Indeed, the current leadership labels the United States its "enemy." Meanwhile, a possible escalation of the 3½ year old war between Iran and Iraq poses a serious threat to vital U.S. interests in the region which may require U.S military intervention. However, defense of free world's access to vital Persian Gulf oil supplies would entail U.S force projection over lengthy and vulnerable air and sea lines of communication, and is dependent on access to regional facilities to support U.S. military operations. Soviet attack submarines and missile-equipped bomber forces threaten interdiction of the free world's vital shipping, while their surface forces, in growing numbers and sophistication, now have access to a broader network of bases and facilities than ever before, expanding the range from which Soviet and Soviet-surrogate power might be applied. This expansion of Soviet power and power projection capability has made the defense of essential U.S. national interests more difficult and more costly.

In addition to the Soviet challenge, our interests are threatened by increasing conflict and instability in the Third World. We are depending heavily on Third World countries for strategic minerals and energy resources. Many of the causes of instability and conflict—ethnic and religious cleavages, irredentism and territorial disputes, rivalries for regional power and domination—are rooted in the past. However, in recent years conflict in the Third World has increased and been intensified by the proliferation of technologically advanced armaments and, more importantly, by increased Soviet support—direct and through proxies—for terrorism, insurgency and aggression.

Conflict within or among nonaligned powers, or between them and our allies, with or without Soviet involvement, could impose increasingly difficult demands on both U.S. defense capabilities and diplomacy. An example is any cutoff of oil supplies to the West. The U.S. must be able to respond effectively in such contingencies to safeguard our national interests.

COLLECTIVE SECURITY ARRANGEMENTS

The imperialist tendencies of the Soviet Union became apparent early in the post-World War II era. In response, the U.S formulated a defense strategy to counter efforts by the Soviet Union to expand in Eurasia and elsewhere. A central element of this strategy for over 30 years has been and will continue to be collective security arrangements.

Just before, during and immediately following the Korean War, the United States fashioned a series of alliances which, in the aggregate, constituted a security framework which loosely bound the world's maritime nations together. What gave sinew to that system of alliances, and established the climate of confidence so indispensable for the vitality of the international free trade area, were the United States strategic nuclear power, our command of the world sea and air lanes, our forward deployments, and our assured capability, in time of crisis, to reinforce and resupply the on-scene defense forces or our allies and ourselves in Europe and Asia. In combination, these strengths have maintained equilibrium in the key strategic areas of Western Europe and North East Asia. Maintaining that equilibrium is still our challenge and that of our Allies.

The U.S. has eight defense treaties that involve a total of forty-two countries, roughly one-quarter of the world's nations. These treaties include both bilateral and multilateral security arrangements. The eight treaties are the North Atlantic Treaty Organization (NATO), the Inter-American Treaty of Reciprocal Assistance (Rio Treaty), the Security Treaty Among Australia, New Zealand and the USA (ANZUS), the mutual security treaties with Japan, Korea and the Philippines, the Southeast Asia Collective Defense Treaty (Manila Pact), which adds Thailand to our treaty partners, and the Panama Canal Treaty.

Under Atricles 5 and 6 of the NATO Treaty, parties agree to assist one another, individually and in concert, in the event of attack on any member state within the treaty area. NATO has strengthened its effectiveness as an alliance by developing an integrated military structure and by setting goals for national forces and recording commitments in support of these goals. In December 1983, as it does annually, the U.S. formally made available in 1984 specified combat forces which will come under NATO command in the event of emergency. (A classified summary of these forces is being provided separately to the committee.) In addition, there are other U.S. forces available to reinforce NATO because of the high priority we put on the successful defense of Europe if attacked. However, the "undesignated" nature of these forces allows them to be readily deployed either to Europe or elsewhere in the world, as a crisis develops. It should be noted that the U.S. does not formally commit specific forces anywhere except to NATO.

Other multilateral agreements include the ANZUS Treaty of 1952 and the Rio Treaty of 1947. The Rio Treaty, along with the Charter of the Organization of American States, outlines our legal and moral responsibility to uphold the security of countries in the region. The U.S. has a strong interest in a stable, secure and independent Latin America, which we have reaffirmed with our efforts to resist attempts at destabilization by Cuba and Nicaragua.

In addition, the U.S. has bilateral treaties for the defense of Japan (dating from 1952), the Philippines (1952), Korea (1954), and the Panama Canal (1979). The Manila Pact of 1954 set the framework for the Southeast Asia Treaty Organization (SEATO). Though SEATO was formally disbanded in 1977, the Manila Pact remains in effect, and is considered to be a bilateral defense treaty between the U.S and Thailand.

In addition to the foregoing treaties we also carry other military obligations. Some of these are specific to certain missions and organizations, such as the U.S Marine contingent of the U.S. Joint Task Force in Lebanon, which is comprised of Army, Navy, and Marine forces, and the U.S. Army troops of the Multinational Force of Observers (MFO) in the Sinai. In the past the U.S. has committed soldiers to United Nations activities, such as our forces involved in the Korean conflict and the American officers assigned to the U.N. Observer Group in the Middle East. While no U.S. combat troops are currently serving under U.N. auspices, we retain the obligation to respond if called upon to help settle some future conflict.

Other military obligations, while perhaps less clear-cut, involve certain general regions of the world. For example, the U.S. has no treaty commitments in the Middle East. However, we have special relationships with several countries in the region. We would intend to respond to requests for assistance by these nations if their territorial integrity were threatened. While no formal, signed treaty commitments exist, there is an ongoing dialogue with these nations regarding potential U.S. aid under a variety of circumstances.

President Reagan has reaffirmed that the Persian Gulf is an area of vital interest to the U.S. Our longstanding commitment to peace and stability in the Gulf and contiguous areas was demonstrated initially by our decision in 1958 to agree to security cooperation with some members of the Bagdad Pact, later renamed the Central Treaty Organization (CENTO). At one time affirmed by Iran, Iraq, Turkey, Pakistan, the UK and the U.S. CENTO's final demise was precipitated by the fall of the Shah in Iran. Our de facto commitment to the security of the region has continued with the creation last year of a unified command—the United States Central Command—with specific responsibility for SWA.

Although no formal defense treaties exist between the U.S. and African nations, the U.S. also has important interests on the African continent. For example, the U.S. has a strong interest in preventing the destabilization of independent states through armed invasion or externally supported insurgency, such as those supported by Libya, Cuba, and the USSR. In such cases the U.S. may take action alone or with allies (e.g., with France in Chad). Similarly, the U.S. plays a role in encouraging peaceful settlement of disputes among the nations of Southern Africa.

As the preceding clearing shows, or treaty commitments are a major determinant of our nation's defense strategy, but are only one component thereof. A full appreciation can only be realized from the perspective of basic U.S. interests, objectives, and threats. We employ forward-deployed forces and flexible, U.S.-based forces to buttress the collective defense embodied in treaties and to meet the total U.S. defense requirements.

This concludes my discussion of our defense commitments. Now I'll turn the floor over to my colleague General William Klein, for a discussion of the forces available and necessary to meet our commitments.

General Stilwell. With your permission, I will turn the floor over to General Klein for discussion of the forces available and necessary to meet our defense commitments.

STATEMENT OF MAJ. GEN. WILLIAM KLEIN, U.S. ARMY, VICE DIRECTOR OF THE JCS PLANS AND POLICY DIRECTORATE

General Klein. Mr. Chairman and Senator Thurmond, I also appreciate the opportunity to be here this morning to discuss with you the military forces available and necessary to meet our commitments worldwide.

I would like to briefly summarize my statement inasmuch as it will be included in the record.

I think there are five points that General Stilwell has in part covered that I need to emphasize.

First of all, the foundation for the preservation of peace is a strong, well-equipped and properly sized military force which we are able to project globally.

I might add that that force today in all services is better than it ever has been and I will be happy to answer questions regarding that, as I disagree totally with those articles that you have been reading in the newspapers, sir.

I think that the second point is that the world is viewed as a system of different but interconnecting strategic zones. A threat in one of those zones is obviously going to affect the security in others.

In simple words, if we are attacked by the Soviets in the Pacific, there is almost no way in the world that you can stop that from spilling over into the other strategic zones.

The Soviet threat is global and increasing. In order to meet that threat, as General Stilwell pointed out, we must pursue a coalition strategy. In simple words, we must take advantage of the military power of our allies.

We must remember, No. 4, that the allies of the United States have no counter to the nuclear power of the Soviet Union, therefore, we must provide the nuclear umbrella.

Finally, I think that geographic realities influence our strategy and they influence our force development. In simple words, we cannot afford to forward deploy all our forces and, therefore, we must have the adequate mobility to move our Strategic Reserve Forces to wherever they are needed in the world.

To recap, where we have forces forward deployed in support of NATO, the United States has deployed in Western Europe and the Mediterranean, 4 divisions, 28 tactical fighter squadrons and 1 or 2 carrier battle groups.

Obviously, in a crisis this force could be augmented by one or more of the carrier battle groups from the Atlantic Fleet, as well as could be reinforced by designated units in the central reserve which includes 19 Active and Reserve divisions, 80 tactical fighter squadrons and 3 marine amphibious forces and 1 division wing team.

In East Asia our allies are supported by 1 division, 10 tactical fighter squadrons, 1 or 2 carrier battle groups and 1 Marine Amphibious Force forward deployed in Northeast Asia and the Western Pacific.

In Southwest Asia, there are no forces in the area except the Mideast force, which is a small naval contingent, the near-term, pre-positioned force of ships containing equipment and supplies, and Four AWACS aircraft. On 1 January, 1983, the President activated U.S. Central Command, a new unified command responsible for this region.

When required that command can actually draw rapidly deployable forces from the United States which have been allocated to him for planning purposes.

I reiterate that because I don't want to give the false idea that these forces are out there in CENTCOM's area. His forces include for planning purposes 3 divisions, 17 tactical fighter squadrons, 3 carrier battle groups and 1⅓ Marine Amphibious Forces.

In support of our obligations under the Rio Treaty and to protect the Panama Canal, the Army has an Army theater defense brigade in that country.

I might add, of course, that units of the Atlantic and Pacific Fleets routinely operate in waters adjacent to Central and South America and also the Caribbean.

I believe that the Joint Chiefs of Staff would say at this point that we are beginning to see the readiness and sustainability of U.S. Forces improve, again despite the articles in the paper, after the past 2 years of increased funding emphasis, which you have been responsible for in great part on this committee.

I would say that at this point our forces are as good and as well trained and as balanced as we have had in a great many years.

At this point, sir, I will be happy to entertain questions.

[The prepared statement of General Klein follows:]

PREPARED STATEMENT BY MAJ. GEN. WILLIAM E. KLEIN, U.S. ARMY, VICE DIRECTOR, J-5, JOINT CHIEFS OF STAFF

Mr. Chairman, members of the committee, I appreciate this opportunity to discuss with you the military forces available and necessary to meet our commitments. In this regard, it is essential to recall that:

A strong, well-equipped, and properly sized military force, projected globally, with politically demonstrated resolve to prevent war through deterrence, is the foundation for the preservation of peace.

That the world must be viewed as a system of interconnecting and inextricably linked strategic zones. A threat in one strategic zone will almost certainly have a serious impact on the security of the others.

That the Soviet threat is global and increasing and we must pursue a coalition strategy for collective security.

That most of the allies of the United States have no counter to the nuclear power of the USSR. Therefore, the alliance element of U.S. strategy, critical to dealing with all manner of conventional warfare threats, functions against the backdrop of American nuclear deterrence.

And, finally, that geographic realities influence our strategy and force development. A confrontation with the USSR would probably be global, and we would have to go a longer distance to get to the theaters. This dictates large mobility forces to deploy combat ready Active and Reserve component ground, sea and air forces of the central reserve to wherever needed.

FORCES AVAILABLE

The services provide the forces to the unified and specified commanders who have operational command as directed by the President to the Secretary of Defense through the Joint Chiefs of Staff. Major units of all the U.S. military services are forward deployed in various regions. These forces have long contributed potent conventional and nonstrategic nuclear forces to the alliances. In-place, forward-deployed forces are an essential ingredient of a successful deterrent strategy. However, it must be pointed out that it is prudent to assume that a conflict involving the U.S. and U.S.S.R. would be global and major units could not be tasked to respond simultaneously in different theaters.

In support of the NATO Alliance, the United States has deployed in Western Europe and the Mediterranean Sea 4 divisions, 28 tactical fighter squadrons and 1 or 2 carrier battle groups. In a crisis this force could be augmented by 1 or more of the carrier battle groups in the Atlantic Fleet and designated units in the central reserve which includes 19 active and reserve divisions, 80 tactical fighter squadrons and 3 Marine Amphibious Forces and one division wing team.

U.S. treaty commitments with our East Asia allies are supported by 1 division, 10 tactical figher squadrons, 1 or 2 carrier battle groups and 1 Marine Amphibious Force forward deployed in Northeast Asia and the Western Pacific. Again, these units could be reinforced by the carrier battle groups in the Pacific Fleet and units of the central reserve.

In recognition of our interests in Southwest Asia, the U.S has maintained the continued presence of a carrier battle group in the Indian Ocean, Mid-East Force, the Near-Term Preposition Force of ships containing equipment and supplies, and 4 AWACS aircraft in Saudi Arabia. On January 1, 1983, the President activated U.S. Central Command to further demonstrate American resolve and the importance of the region to the United States. When required, USCENTCOM can draw from rapidly deployable forces in the United States which have been allocated for planning purposes including 3 divisions, 17 tactical fighter squadrons, 3 carrier battle groups and 1⅓ Marine Amphibious Forces.

In support of our obligations under the Rio Treaty and to protect the Panama Canal, the United States has an Army theater defense brigade in that country. Additionally, units of the Atlantic and Pacific Fleets routinely operate in waters adjacent to Central/South America and in the Caribbean.

FORCES NECESSARY

We are beginning to see the readiness and sustainability of United States forces improve after the past 2 years of increased funding emphasis. Indeed the Department of Defense budget for fiscal year 1985 continues this near-term effort to better meet our global responsibilities. Still, it is the opinion of our civilian and military leaders that the forces required to give us a reasonable assurance of success in attaining our national military objectives are substantially larger than either the current or programmed forces. In order to acquire the best, balanced military forces for the United States within the fiscal constraints placed on defense, a great many compromises must be made. Competition is keen. We must balance between force size, sustainability, readiness, mobility and modernization and between current operating expenses and investments for the future. None of our unified and specified commanders will ever have all the U.S. forces available that they believe necessary to meet alliance and other commitments with minimum risk. In this regard, each CINC has several different tasks assigned that are derived from elements of national strategy and from assessments of U.S. commitments worldwide. One way to look at these competing requirements for dollars is called "poles in the tent." Poles in the tent refers to all the components of a system that must be available in balanced proportions to achieve the full potential of the weapon system. For instance, our capability studies have found that size of the force we could send to Southwest Asia is limited by our capability to support it. Even in Europe, we currently are short of the support forces and war reserve stock to sustain the forces we can rapidly deploy from CONUS. Emphasis is now being given to these needs, but support for the full capability of our force structure requires adequate funding and takes time.

Finally, a word on mobility is appropriate. To produce the flexibility to react to threats worldwide, adequate strategic sealift and airlift, both intertheater and intratheater, are vital. The current U.S. mobility force structure includes 17 squadrons of strategic airlift aircraft, 14 active duty, 19 Air National Guard, and 15 AF Reserve tactical airlift squadrons, the civil reserve airlift, 67 ships of the MSC controlled fleet, 353 ships of the U.S. controlled Merchant Marine, 32 ships of the ready reserve force, and 73 ships under effective U.S. control. While pre-positioning initiatives have helped, there is still a serious shortfall in our lift capability to rapidly deploy forces.

I have attempted to represent the military capability of the United States to meet our commitments. The defense program is attempting to place this capability more in line with requirements and the threat.

Senator **Jepsen**. Thank you.

U.S. MILITARY PERSONNEL CEILING

In both fiscal years 1983 and 1984, Congress imposed a ceiling on the number of U.S. military personnel stationed in Europe. However, the ceilings were set high enough to allow a growth of almost 6,000 personnel between the 2 years.

How harmful has the ceiling been, if it has permitted such a substantial increase in the number of U.S. personnel?

Could you describe the Defense Department's manpower plans for Europe for fiscal year 1985 and later years?

General **Stilwell**. May I give a partial response to the first part of that question, sir, and then call on General Klein and representatives here from OSD staff on the manpower aspects.

As I believe you are aware, sir, from earlier testimony, the Department of Defense has argued rather strongly against the imposition of a theater-specific ceiling in contradistinction to an overall ceiling on manpower.

I believe that in the testimony of General Lawson before the Senate Armed Services Committee he alluded to the problems that he was facing, as the Deputy Commander of the European Command, on the ceiling within which he is working, given the new units that are scheduled for deployment in conformance with national policy, particularly the intermediate range nuclear forces.

So, that there has been a real problem created for both General Rogers and his subordinate commanders by the ceiling. I believe it is in the order of 3,000 spaces.

Mr. **Donovan**. Yes, sir, there is a reduction of 3,700 manpower spaces from where we wanted to be in 1984 as a result of the congressional restriction on European strength.

General **Klein**. General Stilwell mentioned the nuclear force. When you consider Pershing II's, that is man-to-man change and causes no problems.

When you consider new units, new sites such as are required for GLCM deployment, that will be, and I would like to submit this for the record later, on the order of 10,000 to 12,000 new personnel, Air Force personnel primarily.

I believe this year for the first time we have already stated plans to pull out a squadron of Air Force aircraft as a unit because of the end-strength ceiling.

[Additional information follows:]

As concerns the Pershing IIs, that is essentially a man-to-man change with less than a 70-person increase and causes no problems. With respect to the GLCM deployment, this includes on the order of 9,300 military and civilian new personnel over the 6-year period of which almost 8,500 are Air Force personnel.

Senator JEPSEN. Gentleman, it is becoming increasingly obvious that the United States will often be confronted with relatively low level, irregular threats like those in Lebanon and Grenada.

General Stilwell, how is the Defense Department organizing our military forces to respond to these threats?

General STILWELL. We start, of course, sir, with the global organization for the conduct of military operations as represented by the Unified and Specified Commands.

We have the forward deployment with which you are familiar, sir, in critical areas of the world, principally Europe and Northeast Asia.

We have in the United States our central reserves, which are indispensable to a balanced posture, composed of contingents of all four of the services.

We have our Military Airlift Command, reasonably robust, that provides us with the capability to move forces from the continental United States to contingent trouble areas if the local reserves of the theater commanders are not adequate for that purpose.

We have in the ground forces a mix of heavy and light organizations, the latter including, most pertinent to your question, the 82d Airborne Division, and 101st Airmobile Division, our infantry divisions, our ranger battalions, and some special forces.

So, given that management structure, given those mobility means, given the deployable forces in the United States to include under the aegis of the Readiness Command a structure called the Rapid Deployment Force, I believe, Mr. Chairman, that we have the wherewithal to respond to Presidential decision—with the consent of Congress where applicable—to meet the clearly increasing range of potential contingencies with which we may be faced in the years immediately ahead.

NATIONAL COMMITMENTS

Senator JEPSEN. How do you explain the process by which the commitments and capabilities are correlated with military strategy?

How is this developed?

General STILWELL. The national commitments, sir, as I indicated in my statement, have never been in the past, nor do I believe they can in the future in this turbulent world be, totally correlated with capabilities—given the range of national interests, economic, diplomatic, and military—that can be adjudged as adequate to meet all commitments simultaneously.

So, short of global armed conflict, which is our mission and certainly our dedication to prevent, we will always, in my view, face the very difficult problem of meeting all our national commitments within the limits of what is politically tolerable to this Nation, short of war, to devote to the production of instruments of national power. That is one calculus.

The function of strategy, of course, is to use the resources that have been provided by the Congress to ensure that you can accomplish the objectives, the missions to which you have been assigned.

General **Klein**. Sir, with your permission, I would like to go back to your other question because I think it is very pertinent.

We totally agree with you that the likelihood of low-level, irregular contingencies springing up, as we have seen in the past year, are a likely type of confrontation given U.S. policy and our mission.

Actually what this subcommittee and the Senate Armed Services Committee did for us in 1979 and 1980 was to fund a Rapid Deployment Force and to make our forces—one, more flexible, to provide pre-positioning of stocks, for instance, in our hardest scenario, which happens to be the Middle East, and in addition to that, to fund additional lift to get those forces where they have to go in a timely fashion.

So, that has been done and we are much better able today to do that kind of operation than we were in 1979. That is due to your wisdom and foresight.

I might also add that looking into the future the Chief of Staff of the Army has looked at his division structure and he has seen that even his light divisions like the 82d Airborne Division, with some of the new equipment, are getting too heavy. It is requiring too much airlift.

As a consequence, he is now going to go to a light infantry division—the 7th Infantry Division on the west coast will be the first test of that—whereby he develops a division that is very rapidly deployable to wherever it is needed.

DIVISION 86

Senator **Jepsen**. These divisions are being converted to so-called Division 86 design. I believe that is what they are called.

General **Klein**. Yes, sir. There is a Division 86 which will be heavier than the light division. The light division is a separate initiative that the Army has taken. I think it will be very beneficial.

Senator **Jepsen**. I have information that some divisions are being converted to the so-called 86 Division in fiscal year 1985. The Army will begin to create new light divisions.

What is the purpose of these force structure changes and what is the difference?

General **Klein**. To summarize it, the division will be about 10,000 strong.

Senator **Jepsen**. Which division?

General **Klein**. The light division will be about 10,000 strong.

What you have done there is leave most of your firepower in the division, you leave most of the fighting capability on the ground, you have taken out some of the heavier support units and you have moved them to corps. That makes the light divisions more deployable.

The division in many cases will not need that heavy equipment in the conflict spectrum in which we see them being employed.

For instance, they may not need heavy artillery or a lot of engineering equipment, et cetera. As a consequence, what you really want on the ground is sort of a Nathan Bedford Forrest "Being there fastest with the mostest."

As a consequence, you want rifle strength, machinegun strength, et cetera, which will enable you to do the job.

That basically is what the light division has been designed for.

Senator **Jepsen**. What is new about the Division 86 design then?

General **Stilwell**. Mr. Chairman, Division 86 is essentially shorthand for the upgrade of the basic division structure of the U.S. Army to adapt itself to the major new weapon systems that are being fielded now and with which you are familiar: the new Abrams tank, the new fighting vehicles which for the first time can move with the tanks, the new division antiaircraft weapons systems, the new helicopters. These apply to both the heavy and the infantry divisions, and that still goes forward.

But, as I think General Klein was trying to indicate and very pertinent to the perceptive question that you asked earlier, while the requirements for our standard forces to meet the Soviet threat persist and may increase, there is a concurrent requirement to have the most deployable divisions we can find to target primarily against other areas of the world, but which could also operate on the major battlefields on which we may have to fight.

So, the U.S. Army continues to march in its major direction, but has come up with some innovations—particularly the light division concept—to enhance the U.S. Army's capability to respond to national requirements given the fact that we have now, and probably will have for the approximate future, less mobility forces than we think we fundamentally need.

Senator **Jepsen**. One wonders which comes first, the chicken or the egg. I hope that there is some overall planned design to meet national commitments whatever they may be, in designing the Division 86 and new light divisions.

The chicken or egg question arises whenever we develop a weapon system. We develop a new tank and after we get it running, we then figure out how to build the people around it.

I think the thread that is woven through much of what is reported here, is that the process is really kind of a mish-mash.

I don't know whether you are designing new light divisions because you have some new weapon systems to fit your manpower and your personnel around, or you have identified a commitment you have to make and then you design a weapon system plus the manpower to go with them. You would like to believe that the latter is the way it is being done.

It does not appear that way though.

General **Klein**. Let me try that one, sir.

The light division is specifically designed to meet a mission, to be very deployable. As I say, you skinny down so that you can get there first, you can get there fast. You may, in essence, prevent a conflict you don't want and therefore, you may not have to fight.

RAPID DEPLOYMENT FORCE

Senator **Jepsen**. What about the Rapid Deployment Force? How does it differ?

General **Klein**. The Rapid Deployment Force includes heavier divisions. For instance, the 82d Airborne Division with all the new equipment to make it sustainable on the battlefield has become fairly heavy.

With regard to Division 86, with the new equipment for the modern battlefield, that will make our divisions more capable and effective in combat. We looked at that in total and we decided if we added on all those systems, the necessary repair personnel, the teams to employ them, it would drive our division strength up to almost 21,000.

It was unacceptable from the standpoint of just command and control and personnel. As a consequence, we looked at that and we said how can we best take that equipment and put it into the divisions to give them that increased capability that we know we need?

How can we best fight it? We did that by having smaller, less complex fighting companies and platoons. We consolidated our aviation assets in the cavalry brigade. We increased the fire support in the air defense, which is vital.

We put emphasis upon our fixed far forward capability and the flexibility of our forward deployed battalions, which means we designed the battalions to go up in the forward areas instead of in the rear.

We decided the proportion of tank to infantries companies per battalion should be increased to increase our fighting strength. Then we decided armored divisions should have about six infantry battalions and four mechanized infantry battalions which we figured would be a better mix than six infantry and five mechanized, so we cut them by one mechanized battalion.

We took the mechanized division and we decided it should contain five tank battalions and five infantry battalions. Before it had five tanks and six mechanized. We cut that down.

In essence, by doing all this we took the division strength from about 19,000 for an armored division down to 16,300. The infantry mechanized division went from 19,300 down to 16,600.

We have looked at it in total and it gives us the capability to fight better and to integrate all the equipment.

That basically is what we have done with Division 86.

Senator **Jepsen**. Frankly, gentlemen, it is a little bit confusing and maybe it is semantics, but we talk today, this year, about the new light division being highly mobile. We have been talking about the Rapid Deployment Force being highly mobile to get there in time to prevent a major conflict.

Now I have just heard that the Rapid Deployment Force is to be heavied so as to have the staying power and the light division is one that is to be moved rather quickly, so it does not need to have the staying power.

You didn't say that, but I assume it doesn't have the staying power of the heavy division?

General **Klein**. That is right. It does not. If you want the light division to stay longer, you have to put in corps assets to support it.

The 82d Airborne Division has a specific mission. It is the only airborne division in our force structure. The Soviets have 12 of them; we have 1.

It is the only one in our force structure that we can strategically deploy and drop on an airfield to seize an airfield in order to bring in other combat forces or to drop in an area that is inaccessible by helicopters from ships.

It is the only one that we have strategically deployable. We put it out by itself. We have to make it fairly heavy in order for it to sustain itself in battle.

Senator **Jepsen**. I am trying to find that ribbon that is woven through the fabric of what we are doing.

The RDF which we had been talking about for the last couple years was to be moved and be developed with a joint command and it was to be highly mobile.

Is our entire structure in the Army moving toward more mobility and lighter divisions?

General **Stilwell**. By no means, sir. The major threats for which we must always be prepared is that of confrontation with the armed forces of the Soviet Union and that is at least as much in the conventional sense as in the nuclear sense. It will drive the configuration of our force structure.

Two things that led to the development of the concept of a deployable force outside Northeast Asia and outside Europe, a Rapid Deployment Force, were the increasing reach of Soviet military power which posed threats to geographic areas that were once beyond their reach and the proliferation of sophisticated weaponry in many nations of the world. The fashioning, therefore, of a Rapid Deployment Force was balanced in terms of light and heavy components, although it can be flexibly organized.

But in an effort to provide the Nation with even greater flexibility to meet lesser contingencies, there has been a constant effort on the part of the Army to produce, first, ranger battalions—the type of force that went initially into Grenada—and to continue really that effort to give the National Command Authority a capability for meeting incipient crises with less drain on the overall structure on the ground. What is sometimes most important is not the overall size of the force, but the rapidity with which it can be deployed to a scene of potential danger.

So, as I see it, I would look upon that as a measure of innovativeness: within a limited force, limited by dollars, limited by manpower, to produce the most flexible array of forces that we could possibly devise.

Senator **Jepsen**. Are you producing these forces within the Army or is this a joint venture?

General **Stilwell**. Joint forces.

Senator **Jepsen**. The new light division is just within the Army?

General **Klein**. That is correct, sir.

Senator **Jepsen**. What about the airlift for the light division? Are you going to have the Air Force involved?

General **Klein**. It would use the normal MAC airlift. The rapid deployment framework is still in being. The forces are there. Before the light division comes on line, the Rapid Deployment Forces are still our lightest, most deployable forces.

82D AIRBORNE DIVISION

To give you an example, the light division forces are expected to be deployed by 500 sorties of C-141s. If you look at the 82d Airborne Division and you want to take the entire division and all its support, you are looking at a thousand C-141 equivalents.

So, you see you have almost cut that deployment in half with that especially designed force.

Senator **Jepsen**. The 82d Airborne Division in World War II theoretically was supposed to be a division that dropped in and stayed around 3 or 4 days and then the Army forces with staying power would move in.

It did not quite work out that way on a number of occasions, hardly ever in fact. But now the 82d Airborne Division is to go in and have some staying power.

Is that what you are saying?

General **Klein**. Yes.

Senator **Jepsen**. The 82d Airborne Division will come in and stay for 6 weeks or more?

General **Klein**. The 82d Airborne Division will go in, they will have to be resupplied by air, but they can go in and stay and fight.

Senator **Jepsen**. What is the difference between the 82d Airborne Division and Rapid Deployment Force that is supposed to be coordinated down in Florida?

General **Klein**. I did not understand that.

Senator **Jepsen**. What is the difference between the 82d Airborne Division and the Rapid Deployment Force?

Is the 82d Airborne Division part of the Rapid Deployment Force?

General **Klein**. Yes, sir.

Senator **Jepsen**. Is it the main part of the Rapid Deployment Force?

General **Klein**. It is the main part of our rapid deployable forces. The 82d Airborne Division would in most cases be the lead division.

Senator **Jepsen**. I am not totally clear——

General **Klein**. Let me make it clear by submitting for the record the major difference between the light division and Division 86 and try to explain the old Rapid Deployment Force.

[The information follows:]

Light Division/Division 86 Comparisons

The light division was designed primarily to provide the flexibility or capability to respond to contingencies at the lower end of the conflict spectrum. Totalling about 10,000 soldiers, it can deploy in four days with one-third the C-141 sorties required by the current infantry division. It has a higher ratio of combat power to overall strength than any other division and a high leader-to-led ratio. When augmented, the light division can reinforce deployed forces engaged in mid and high intensity conflicts. By providing greater strategic utility across the spectrum of conflict, the light division increases the range of options available to the National Command Authorities.

Division 86 was designed to improve the operational effectiveness of armor and mechanized units and to optimize the organization for complex, modern equipment and new doctrine. The designs provide an enhanced capability for continuous combat on a conventional or an integrated (Nuc, Chem, EW) battlefield. Specifically, the Division 86 designs have smaller less complex fighting companies and platoons; increases fire support and air defense; increased capability to repair and support further forward; increased from 3 to 4 the number of tank and infantry companies per battalion; and decreases the size of an armor division from 19,000 to 16,300 soldiers and a mechanized division from 19,000 to 16,600 soldiers. The Division 86 design provides a doctrinal and organizational blueprint for developing and integrating advanced battlefield concepts, while incorporating developmental weapons and equipment.

The old Rapid Deployment Force (RDF) was the force (1 Corps Hqs, 2 Army Divisions, 11 TFSs) that was under the operational control (OPCON) of the RDJTF. The RDJTF also had other forces that were provided for planning purposes. With the formation of USCENTCOM in January 1983, both the RDF and RDJTF were dissolved. Many of the forces in the old RDJTF and RDF are currently apportioned to USCENTCOM for planning purposes.

General KLEIN. As such, the old Rapid Deployment Forces are no more. The forces are there, but the mission was subsumed in Central Command for Southwest Asia; or elsewhere in the world, those forces would be deployed to the CINC in whose area the contingency happens.

Senator JEPSEN. The Commander of the U.S. Southern Command, General Paul Gorman, testified before the Senate Armed Services Committee that his goal "was to lower the number of U.S. military personnel in Panama."

He explained that "The current forces in Panama are the wrong types of forces to fulfill the command's regional responsibilities."

Here is another example that we have people there, but they are the wrong type. We should change that. Deployment forces are not exactly what we should have.

We are getting into Division 86 and the light divisions. It is very, very confusing.

General KLEIN. Sir, General Gorman has discussed that with me——

U.S. FORCES IN PANAMA

Senator JEPSEN. Are there plans to change the types of forces in Panama or is it classified?

General KLEIN. I can tell you briefly that the Joint Chiefs will have to address that as will the Chief of Staff of the Army.

I think General Gorman feels if one of his missions is to defend the canal, he wants forces that are more mobile. He does not want mechanized forces, he wants more airlift, he wants parts of an armored cavalry squadron.

That will all have to be examined. It may be that the Chiefs may not agree with that.

Senator JEPSEN. Is this mission requirement because of the changing situation in the Caribbean or is it something that somebody just thought up as they began reflecting on it?

General KLEIN. I think that the reason primarily is that you have a new commander. He has been down there I guess not quite a year. He is seeing it in perhaps a different way.

As I say, he will have to convince the Joint Chiefs of Staff that he is right and they will have to examine it.

I see the thread and we do not do major reorganizations because every CINC comes in with a good idea. Those are carefully thought out, carefully examined by the Joint Staff and by the Chiefs, before any of those recommendations are approved and implemented.

Senator **Jepsen**. I am concerned about the perception and subsequent support. We need a consensus to get the level of defense we need.

Some of us have been hanging in there on this and we bleed to death because, frankly, as chairman of the Manpower and Personnel Subcommittee, in light of recent articles and comments on readiness, I think it is important to respond partially to those recent reports concerning the state of our Armed Forces today as compared to their state at the beginning of this administration.

At least in the area of manpower, I think there should be little doubt that we are far better off today than we were in 1980.

MANPOWER STATISTICS

The following statistics should provide some proof of that fact.

In fiscal year 1979, only 64 percent of Army recruits were high school diploma graduates. In fiscal year 1983, 88 percent were high school diploma graduates.

In fiscal year 1980, only 26 percent of the Army recruits were in the top three mental categories. In fiscal year 1983, 61 percent of the Army recruits were in those top three categories.

At the end of fiscal year 1980, the Army had an overall shortage of more than 2,700 mid-level and senior NCO's and a shortage of more than 6,000 in combat arms. By the end of this fiscal year both the overall NCO shortage and the NCO shortage in combat arms will no longer exist.

Finally, in fiscal year 1980, the brightest soldiers in the Army, those in mental categories 1 and 2, were reenlisting at a rate of only about 50 percent. Today, that reenlistment rate is almost 80 percent.

These facts represent only a small part of the story of the improvements made in our Armed Forces during the past 3 years. But I think this story must be told and told clearly. I hope these comments will help balance the picture which has been presented in recent days.

In fact, when I came to this committee in 1979 there was a mass hemorrhage, people were scrambling to get out of the armed services. We were losing our NCO's, recruiters were going out begging, taking anything that was breathing and warm, and they didn't have to be too warm.

Now we have had a dramatic turnaround on this. Now we start getting reports from reputable journalistic sources saying that based on our own criteria we are now worse off than we were.

I may have to hold some extra hearings to find out what is going on. It doesn't help, believe me, in trying to get a consensus for the funding we need for defense.

Maybe it is being done on purpose because we have those who are interested not in the strong, effective state of readiness of forces that we have had, but who were up in the front line denegrading our Armed Forces all through the 1970's.

I see the consensus being undermined. I get that feeling that we have force-fed a lot of money in the pipeline, we are putting in all kinds of weapons and now we are trying to get the kind of people to match up with them.

We have good people here, but we have many more weapons and components coming down. We have force-fed all this money; and now we have this new division we have to justify.

We have the light division and the Rapid Deployment Force here. The story should be told so that the people can understand it.

General **Klein**. I will respond to that by saying, sir, if you had the Chief of Staff of each service sitting here this morning and all the unified commanders and you asked them point blank what they thought of their fighting force, they would tell you, I think, unanimously, that the fighting forces that they have under them are the best that this country has ever had to date.

Senator **Jepsen**. My point is they can say that and they can believe it. All they have to do is to get the American people to believe that. That is the problem.

General **Klein**. We are going to have to work on the American people because it is absolutely true. If you look at the Grenada operation, those troops performed magnificently.

When you talk about jumping out of an airplane at 460 feet with no reserve, those are super soldiers and super marines in that operation. They just performed magnificently.

Some of these articles in the paper are taken out of context. They are taken from classified documents which the unified commanders submit and write reports to the Secretary of Defense and others with the goal of obtaining additional resources.

As a consequence, they do paint a picture to vie for resources with the other unified commands. As a consequence, sometimes it is trying to tip the scales in their favor.

You might want to comment on that more, sir, but it simply is not true.

With regard to the business about the readiness reports, those are very technical reports. They are a snapshot in time and there are many technical factors that go into it.

EDUCATING THE AMERICAN PUBLIC

Senator **Jepsen**. I believe you understand that, I believe I understand better than most when you tell me that. Unless the public understands it, we are not going to get the consensus that we need.

General **Klein**. We are going to have to do a better job.

General **Stilwell**. You are right, Mr. Chairman, on that. I will endorse everything that General Klein said.

The problem now is merchandising that and getting it out in a way that is understandable to the people who really count, the American public, and through the public the Members of the Congress.

Like General Klein, I have been a division commander and corps commander and Army commander as well. Readiness reports, of course, are made out as of a particular day.

On a particular day there can be ups and downs in an organization which could well be corrected within 24 hours in the event of a crisis or which are going to be normally rectified, whether it is spare parts or maintenance or whatever, within the week. But you do have a closeoff date.

I think this is most significant with respect to readiness reports, Mr. Chairman. An M-48 Sherman tank properly crewed and maintained and with an adequate supply of ammunition and spare parts counts just as much on a readiness report as the brand new Abrams tank, although the latter has four times the combat effectiveness of the former. That just doesn't come through.

Senator **Jepsen**. No one understands that.

General **Stilwell**. No one understands it, but it is basic. Modernization is in fact a part of readiness. That is not really understood either.

We must, as you say, Mr. Chairman, make a much more conscious effort to deal with this spate of reports which have done us great harm at a very critical period.

Senator **Jepsen**. The U.S. Government and, in particular, the Department of Defense, have undertaken major new missions in outer space.

How will the Defense Department's activities in space be organized and commanded?

How much military and civilian manpower will be devoted to this new requirement?

General **Stilwell**. There is no complete answer that I can give to that question at this juncture, sir.

With the increasing importance of outer space to this Nation, to the national security community, to the Armed Forces, the whole matter of the organization for the management of those military activities is under review in the proper areas.

As the budget submission indicates, the President's strategic defense initiative which might have space-related areas is being explored at an accelerated rate, but we simply don't know at this juncture what the end result will be.

Senator **Jepsen**. Does either one of you have any closing statement or remarks that you would like to make for the record?

General **Stilwell**. I would only say this, Mr. Chairman, that we welcome the opportunity to appear before you in this very important area of analysis of overall commitments of the United States, both formal and tacit, and discuss also the force array, the forces that have been made available by the Congress, for contigent application against those commitments.

We really believe, sir, that the Armed Forces of the United States under this administration have come a great distance in all respects in terms of the quality of people, in terms of their readiness and sustainability, and in the forward thrust of modernization.

You have in the Defense Department, Mr. Chairman, an organization which from top to bottom is prepared to step up and meet any mission that this Nation, this people, this Congress and the Commander-in-Chief wish to give us.

Senator **Jepsen**. The force structure requirement capabilities, I would guess, are a little more difficult to zero in on because they are directly related to supporting whatever domestic and international foreign policy commitments this country has made.

That was said in the 1970's. We are still picking up pieces and trying to put those things together and identify them.

With the exception of Grenada, this Nation's credibility as far as its commitments and its resolve and its willingness to fight, does not have the level of respect that I would like to see it receive which causes us great problems.

I hope that the services and the Congress and the people can frame the questions that need to be asked of the administration, the State Department and others, and that collectively we can put it all together.

General KLEIN. Sir, I have a feeling that I really haven't adequately described to you that we go about our force structuring in an organized way.

What I would like to do is submit a paper for the record that I have here rather than take your time so that you can see how we go about that process, how each CINC sends in his specific requirements and we build the planning force.

The JCS look at that force and say you double-counted the enemy, you didn't take any constraint in consideration. They slim that force down and then set limits.

Then we look at the programs, what we can really buy, what we can afford, what we think we need.

I would like to leave that with you because I think we go about it in a more organized way than the impression we may have left with you this morning.

[The information follows:]

The basis for developing JCS force recommendations is the threat against our vital national interests. The JCS combine the force recommendations of the unified commanders to develop the minimum risk force. This force, combined with the expected capabilities of our friends and allies, would allow us to achieve our strategic objectives with minimum risk. The minimum risk force is not constrained by resources. It is a pure, warfighting requirement. The JCS refine the minimum risk force by offsetting any double counting of Soviet capability, considering resource constraints, accepting higher level of risk and applying other analytical means to come up with the planning force. This force gives us a reasonable assurance of successfully executing the national military strategy. Again, this is a statement of force requirements and not a program recommendation. At the end of the program process, we produce what we call the program force. This represents the military potential of the United States in 1989, if all our programs are funded. This seeks to place our capability more in line with our requirements and the threat. The current force is what is out there today to defend our interests.

General KLEIN. Finally, I would like to say that we appreciate all the support you have given us.

I say again you have a great force out there that is capable. We will do a better job in trying to articulate that. We stand ready to give you whatever information we can to help you in doing the same thing.

Thank you very much.

Senator JEPSEN. I thank both of you for your contributions and your offer to present whatever you can for the record so that in the next three hearings we have a better understanding of the manpower and personnel force structure requirements and capabilities.

Additional questions will be submitted by members of the Manpower and Personnel Subcommittee to be answered for the record.

[The questions, with answers supplied, follow:]

QUESTION SUBMITTED BY SENATOR ROGER W. JEPSEN

LINK BETWEEN COMMITTEES AND CAPABILITIES

Senator **JEPSEN**. General Stilwell, you and General Klein have described our force structure commitments and capabilities. One way to think about strategy is as the link between those commitments and capabilities. It would be very helpful to the subcommittee if you would explain the process by which commitments and capabilities are correlated in a military strategy.

General **STILWELL**. U.S. military strategy seeks to ensure the attainment of U.S. national security objectives by developing the force structure required to support achievement of those objectives. It is reassessed annually and modified as estimates of threat to our national security are revised, the global environment changes and military technology is improved. The process by which our national security objectives and our capabilities are correlated in a military strategy is established in the Joint Strategic Planning System and the DOD Planning, Programming, and Budgeting System. First the commanders of the unified and specified commands assess the capabilities required to deal with the threat in their regional or functional areas. They make recommendations to the Joint Chiefs of Staff who, in turn, develop a global strategy taking into account the commanders' proposals. The Joint Chiefs then make their recommendations annually to the Secretary of Defense in the Joint Strategic Planning Document. He makes decisions on the JCS recommendations and promulgates the approved strategy in the Defense Guidance, the basic future strategic plan of the Department.

The fundamental components of U.S. military strategy are unchanging: deterrence of aggression, alliances with friendly states, and a balance between U.S.-based and forward deployed forces. These also serve as the basis for linking our capabilities with our commitments. They require that we and our allies maintain sufficient nuclear and conventional forces to enable us to defend vital interests and to convince any potential aggressor that the cost of aggression would be too high to justify an attack. In this context, any expansion of the perceived threat necessitates improvements in our military capabilities. Within the limits of fiscal resources we seek to strengthen our force structure in ways which will complicate the strategic calculus of adversaries considering attack against us or our allies.

QUESTIONS SUBMITTED BY SENATOR STROM THURMOND

SOVIETS CLOSING TECHNOLOGY GAP

Senator **THURMOND**. How do our qualitative advantages stack up against Soviet capabilities in light of their ability to close the technology gap?

General **STILWELL**. The rapid technological improvement of Soviet military hardware poses a challenge to our efforts to strengthen our nuclear and conventional deterrent. It is imperative that we maintain our technological edge vis-a-vis the Soviets as we modernize our force structure.

With respect to strategic forces, the Soviet Union has developed a significant counterforce capability in little more than a decade which has eroded our ability to retaliate. These developments have undercut the stability of the nuclear balance and undermined the retaliatory effectiveness that was at the heart of our policy of deterrence. If uncorrected, we could face the very real danger that the Soviet leadership could at some point come to believe that it could blackmail us by threatening to use nuclear forces to gain its military or political ends. Our strategic modernization program is designed to reverse these adverse trends, restore the strategic balance, and strengthen stability and deterrence.

Soviet technological advances in conventional weapons are threatening our ability to offset their quantitative superiority in those forces with our qualitative superiority. In the area of ground forces, the U.S. and the USSR are considered now to be technologically equal in weapon systems deployed. However, the greater numbers deployed by the Soviets give them overall superiority. To counter the conventional threat, the United States relies on its tactical air superiority. But the U.S. lead in this area is steadily being eroded because the Soviets have become capable of routinely building new and improved models of aircraft at high production rates. A similar trend can be observed in naval capabilities. Recent improvements in Soviet naval technology have raised concerns that the U.S. might eventually lose its qualitative edge.

It is essential that we maintain our technological edge over the Soviets for two reasons. One is to avoid the costs incurred by greatly expanded conventional forces.

The other is to minimize the risk of early reliance on nuclear weapons. Our conventional force modernization program is designed to maintain qualitative superiority, as is the U.S. initiated effort in NATO to exploit newly emerging technologies.

SOVIETS EXPAND MILITARY CAPABILITIES

Senator **THURMOND**. Leonid Brezhnev stated that the correlation of forces would shift by 1985 so that the Soviets could exert their will worldwide. At what point will they reach an advantage in offensive capability that will enable them to challenge or attempt to intimidate us?

General **STILWELL**. Over the past two decades Soviet military capabilities have been expanding in three ways. One is the massive military buildup, both quantitative and qualitative, which has been shifting the military balance in the favor of the Soviet Union. Another is the increasingly offensive orientation of those forces. A third is the expansion of the global reach of its military forces, which enables projection of Soviet influence and power well beyond the Eurasian land mass. By the late seventies, this steady Soviet military buildup coupled with the relative decline in U.S. defense spending had raised the prospect that the U.S. and its allies would be unable to maintain a credible deterrent posture in the years ahead. Since assuming office, the Reagan administration has embarked on a defense program to enhance the credibility of our nuclear and conventional deterrent.

In the area of strategic systems, we are deploying the MX missile to redress the imbalance caused by the Soviet deployment of a large number of heavier ICBMs during the seventies. We are also modernizing the sea-based and bomber legs of the strategic Triad. With respect to intermediate range nuclear weapons, we are implementing in collaboration with our allies the 1979 NATO decision to deploy Pershing II and cruise missiles in Western Europe to counter the massive threat posed by Soviet SS 20s.

We and our allies are also modernizing our conventional deterrent. It is essential that we maintain the technological edge of our conventional forces to offset the quantitiative superiority of the Soviets. In addition, we are improving our capability to deploy forces quickly to trouble spots anywhere in the world.

These improvements in the U.S. defense posture are designed to prevent the Soviet Union from reaching an advantage in offensive capability that would enable it to perceive at any time that any possible benefit from a challenge or attempt to intimidate us would outweigh the costs of aggression.

SEALIFT AND AIRLIFT

Senator **THURMOND**. The United States is spending vast quantities of money to build a Naval capability to attack land targets around the globe. The Soviet Union's objectives, however, are generally contiguous to their borders. Why are we not devoting more resources to sealift and airlift?

General **KLEIN**. Our military policy is defensive in nature. Three vital supporting policies have been emphasized:

First, is a collective defense posture, which incorporates the strength of our allies.

Second, maintain forward deployments that, combined with the forces of our allies, provide the first line of conventional defense.

Third, we seek a flexible force structure that can surge as necessary in order to (a) reinforce US forward-deployed forces and those of our allies, (b) unilaterally deploy to distant contingencies in support of our national commitments.

To accomplish these policies, we have programmed a balanced and capable force. Our force structure is changing as we seek to expand our capabilities to meet global contingencies of a varying nature. We currently lack sufficient mobility assets necessary to respond to all contingencies simultaneously; however, we are improving the mobility of our forces within the constraints of available resources through a variety of programs. The long-range goal of these programs is to provide the airlift and sealift capability needed to meet our most important reinforcement objectives.

Programs that contribute to the enhancement of our strategic mobility capabilities are:

(a) Increasing our airlift capabilities through the procurement of the C-5B, the C-17, the KC-10, and CRAF enhancement program.

(b) The increasing of our fast sealift capability through the conversion of the SL-7 containerships to a more militarily useful configuration.

(c) The completion of POMCUS sets 5 and 6 for use in a NATO reinforcement.

(d) The creation of the Maritime Pre-positioning Ships (MPS) program that provides for afloat pre-positioning for three Marine amphibious brigades.

(e) The doubling of the capacity of the Ready Reserve Force.

(f) The increased SWA rapid deployment capability that afloat pre-positioning of lighterage (TALS) provides the Near-Term Pre-positioned Force (NTPF).

(g) The ability to use greater numbers of US-flag ships to support surge operations through the auxiliary crane ships (TACS) and the sea shed and the flat rack programs.

The Department has determined that these programs represent an acceptable level of risk for the program years when fiscal constraints are considered.

U.S. DIVISIONS AND STRENGTHS

General **Thurmond**. General Klein, would you outline for the subcommittee the division types to include total number divisions and strengths of each type division?

General **Klein**. By the end of fiscal year 1984 our structure will be as follows:

Division types	Number of divisions AC/RC	Approximate strengths/divisions (thousands)
Airborne	1/–	16.4
Armor	4/2	17.8
Infantry (mechanized)	6/1	17.7
Infantry	3/5	18.4
Air assault	1/–	17.0
High technology light	1/0	17.0
Total	16/8	

Questions Submitted by Senator Alan J. Dixon

EUROPEAN TROOP STRENGTH

Senator **Dixon**. General Stilwell, the ceiling on U.S. military personnel in Europe at the end of fiscal year 1984 is 315,600. If certain conditions are met, the President may increase this level to 320,000.

What anticipated increases in troop levels originally planned for fiscal year 1984 did the Defense Department forego in order to stay within this ceiling?

General **Stilwell**. In order to remain within the European troop ceiling the Department reduced its originally planned end FY 1984 strength in Europe from 326,300 to 320,000 plus an additional 2,600 for the Ground Launched Cruise Missile units. It made this reduction by eliminating two military intelligence companies, a heavy civil engineering squadron (Red Horse), and some Air Support Radar teams; decommissioning a long range aid to navigation (LORAN) system; returning two OV-10 squadrons to CONUS; reducing aviation maintenance and medical support capability, and making numerous small changes in various units.

Senator **Dixon**. General Stilwell, has the ceiling on U.S. troop levels in Europe for the past 2 years had any effect on our NATO allies' willingness to increase their contribution to NATO defense efforts?

General **Stilwell**. We have made clear to our NATO allies that the ceiling on U.S. troop strengths in Europe reflects congressional concerns to encourage greater burdensharing. However, allied decisions on defense contributions are inevitably influenced by a wide range of factors—from perceptions of the threat to domestic-political considerations. Because of the many variables involved, a direct cause-effect relationship between the ceiling on U.S. troop strengths in Europe and allied contributions to the common defense is very difficult to establish. Insofar as the ceiling may influence allied burdensharing, the net effect could be negative. For example, cutbacks in U.S. plans for improved defense in Europe might encourage similar cutbacks by our NATO allies.

Senator **Dixon**. General Stilwell, what level of U.S. military personnel in Europe are you requesting for fiscal year 1985?

Please identify by Service and function where these increases will be made.

General **Stilwell**. The Department recently completed an extensive review of its fiscal year 1985 requirements in European NATO countries. It was concluded that DOD needs 326,414 (includes 4,650 for GLCM) U.S. military personnel permanently stationed ashore in European NATO countries at the end of fiscal year 1985. This strength is 8,600 below the level at which we began the review. The major changes in military strength in European NATO countries in fiscal year 1985, as shown in this year's Defense Manpower Requirements Report are:

Army:	
Multiple launched rocket system	+1,143
Division 86 redesign	−3,379
Division air defense system	+297
Improved nuclear chemical biological defense	+246
Corps intelligence improvements	+149
Bradley fighting vehicle	+118
Improved TOW vehicle system support	+109
NORTHAG support	+91
Quick fix system	+125
Unit realignments (to standard doctrinal designs)	+1,020
Improved theater communications	+430
Net all other changes	+63
Total Army	+412
Air Force:	
EF-111	+244
TR-1	+201
GLCM	+2,050
Other force structure changes	+319
European distribution system	+59
COB vehicles	+82
Chemical/biological defense	+44
Air base ground defense	+113
Medical	+297
Net all other changes	−43
Total Air Force	+3,366
Navy:	
ASW/fleet air defense	+48
Aircraft intermediate maintenance	+26
Intelligence	+8
Communications	+126
Construction administration	+14
Medical	+28
Net all other changes	−64
Total Navy	+186
Total DOD	+3,964

Senator Dixon. General Stilwell, what increases in U.S. troop strength in Europe are programmed in the current Five-Year Defense Plan?

Again, please identify by service and function where these increases will take place.

General Stilwell. The Five Year Defense Program does not contain sufficient information by geographical area to enable us to provide these data. However, the Department has established regional management responsibility for controlling European troop strength and strongly urges the Congress not to set a European strength ceiling in the future. In addition to intensively and aggressively managing this issue during the development of the fiscal year 1985 budget, the Joint Chiefs of Staff recent appointment of the U.S. Commander-in-Chief, Europe as the single person with authority to prioritize all U.S. military strength levels in Europe will serve as a check to maintain only essential force levels. We will continue to work to keep the number of military people in Europe to minimum consistent with our need to have a strong partnership with our allies in furtherance of NATO's strategy of deterrence and defense.

Senator Dixon. General Stilwell, former Secretary of State Henry Kissinger argues in this week's edition of "Time" magazine for a number of structure reforms in the NATO alliance.

Secretary Kissinger's main suggestions are:

(1) By 1990 Europe should assume the major responsibility for conventional ground defense.

(2) The Supreme Allied Commander Europe should be a European.

(3) The next NATO Secretary-General should be an American.

(4) Europe should take over those arms control negotiations that deal with weapons stationed on European soil.

General Stilwell, what is your reaction to former Secretary Kissinger's proposed reforms for the NATO alliance?

General **Stilwell**. Dr. Kissinger's article is, of course, an expression of his own views and, as such, it represents a contribution to the healthy and constructive consideration of Western security issues and concerns. We note that the article reaffirmed the central role that the transatlantic alliance continues to play in promoting Western security and world peace.

We believe that the NATO Alliance is healthy, that its structure is sound and that its strategy remains valid and viable.

We agree, of course, that all allies should make greater efforts to strengthen NATO defense, including improving conventional capabilities. There are initiatives underway within the Alliance and progress is being made. If we are to be effective in encouraging allied efforts, it is important that the United States not diminish its own contributions to the strength of the Alliance.

ADEQUACY OF CURRENT FORCE LEVELS

Senator **Dixon**. General Klein, you say in your statement that "the forces required to give us a reasonable assurance of success in attaining our national military objectives are substantially larger than either the current or programmed forces."

Does this mean we don't have now, and won't have for the foreseeable future, the forces necessary to carry out all of the national commitments General Stilwell has just discussed?

Doesn't this gap between commitments and resources make some of these commitments rather hollow?

General **Klein**. The force level you refer to is the JCS planning force. This is a ten-year projection of force levels that would enable the nation to achieve all its wartime military objectives with a reasonable assurance of success. It is recognized that the planning force is not a realistically attainable target in the current political and economic environment. However, it serves important purposes in the Defense Department's planning, programming and budgeting system. It serves as a goal toward which the various components of the Department can develop coordinated programs. Further, the Planning Force provides a blueprint for force expansion should emergency conditions necessitate higher force levels. Finally it serves as a benchmark to assess the risks and identify the shortfalls associated with current and programmed force structure and to evaluate our capability to support the strategy with available resources. In this regard, our force assessments have shown that despite substantial force improvements over the last 3 years, [deleted].

U.S. general purpose forces contribute to a collective defense posture by being forward-deployed and by possessing the capability to rapidly deploy over long distances. This provides the U.S. a variety of options with which to respond in a timely fashion to unforeseen contingencies in any region in which we have vital interests and commitments to defend. However, because of increases in Soviet conventional force capabilities, major risks confront U.S. forces if they engage Soviet forces in a global conflict. [Deleted.]

We do not view our commitments as hollow. However, measured against current and programmed forces, there is risk regarding our ability to meet these commitments. We must have strong, well-equipped conventional forces designed to convince any potential adversary that the cost of aggression would be too high—the risk too great—to justify an attack. The readiness and sustainability of our general purpose forces has improved significantly and must continue to do so in order to reverse the trend of the previous decade of declining U.S. military strength in the face of rapidly growing Soviet capabilities. This so-called objectives—force mismatch points out the need for additional resources to be provided for continued enhancement of the combat effectiveness of current and programmed forces and for needed force expansion.

Senator **Dixon**. Are we any closer to closing this gap between commitments and forces than we were at this time last year?

Is this gap larger, smaller, or roughly the same size as last year?

General **Klein**. Our efforts to redress the objectives-force mismatch have resulted in a greatly improved force relative to our previous capability and has helped to reduce this gap over the last four years. As the Secretary of Defense stated in his testimony before the House Armed Services Committee earlier this year, we are attempting to gain the necessary resources to deter attack in the various theaters, and although we do not have the requisite strength yet, we are regaining it. In addition, it takes time to reverse the downward trends and we must continue to build upon the substantial momentum generated by increased Defense expenditures. The enormous growth of Soviet military power continues to pose a formidable challenge to Western security and will necessitate high levels of investment in order to further reduce the risks and enable us to execute the global strategy.

LEBANON

Senator **Dixon**. General Stilwell, how large a force do we currently have stationed off the coast of Lebanon today? How long do you expect this force will be required to stay there?

General **Stilwell**. There are [deleted] ships, including the battleship *New Jersey* and the aircraft carrier *John F. Kennedy*, stationed off the coast of Lebanon. The number varies somewhat as ships occasionally make nearby port calls. This force is there to support our role in the MNF and to protect our personnel ashore. It will remain there as long as our current mission and the security situation in Lebanon requires them to be there.

PERSIAN GULF

Senator **Dixon**. General Stilwell, how large a force do we currently have operating in the Persian Gulf? In your view, does this force by itself have the capability to prevent one of the Persian Gulf countries from closing the Strait of Hormuz?

General **Stilwell**. The U.S. Middle East Force, or MIDEASTFOR, operates in the Persian Gulf. The MIDEASTFOR consists of 1 flagship and four combatants. Additional US forces operating in the vicinity of the Persian Gulf include ELF-1, [deleted] which operates out of Riyadh, Saudi Arabia, and 1 carrier battle group or CVBG which is operating in the Northern Arabian Sea (NAS). [Deleted.]

We believe the U.S. naval forces present in the vicinity of the Persian Gulf are adequate to deter an effort to close the Strait of Hormuz (SOH). [Deleted.]

FUTURE MANPOWER LEVELS FOR U.S. FORCES IN KOREA

Senator **Dixon**. General Stilwell, are there any plans to change the current level of U.S. troops in Korea over the next 5 years?

General **Stilwell**. There are no major long term changes in U.S. Manpower planned for U.S. Forces Korea over the next 5 years. There will be temporary minor increases and decreases in total manpower ceilings as new units are deployed and obsolete capabilities are withdrawn or inactivated.

CENTRAL AMERICA

Senator **Dixon**. General Stilwell, can you give us some idea of the extent of exercises by U.S. military personnel on the ground in Central America, particularly Honduras, in fiscal year 1984 and fiscal year 1985?

General **Stilwell**. The JCS direct and coordinate numerous exercises worldwide to enhance the readiness of participating units and to demonstrate U.S. resolve to protect our national interests. Exercises scheduled for Central America serve these same goals. As to the extent of exercises in the region, six exercises have been scheduled for fiscal year 1984 in Central America under the JCS program. Three of these have or will take place in Honduras: during Ahuas Tara II, (5 Aug. 83–8 Feb. 1984) a total of approximately 5,500 U.S. personnel participated in the exercise at any one time. EDRE Kilo Punch, (22–26 Mar. 1984) will have approximately 520 U.S. participants. Exercise Granadero I (1 Apr.–30 June 1984) will consist of engineer elements employed in preparatory missions for combined exercise activities to be conducted in later phases of the exercise. The other three exercises: FUERZAS UNIDAS 84—Panama, BLUE BLADE 84, and Ellipse Echo, will take place in Panama. In addition, other small-scale emergency deployment readiness exercises of 2 to 4 days length will take place in Honduras. The schedule for fiscal year 1985 reflects four exercises in Central America: AHUAS TARA III and Granadero 85 will take place in Honduras, and Kindle Liberty 85 and Ellipse Echo will take place in Panama. These exercises are currently in the planning stages.

Senator **Dixon**. General Stilwell, a couple of weeks ago General Paul Gorman, Commander in Chief, Southern Command, testified before this committee that President Suazo of Honduras would like to see exercises by U.S. troops in Honduras continue into the foreseeable future. In your view, General Stilwell, how long will U.S. exercises on the ground in Honduras continue?

General **Stilwell**. Our participation in combined U.S./Honduran exercises is by invitation of the Government of Honduras. We believe that the exercises serve a twofold purpose. First, they provide valuable, realistic training to U.S. units and personnel. Second, they indicate our commitment to support the democratic countries of the region. It is premature to speculate on the long-term future of these combined exercises beyond those I indicated are being planned for Honduras in fiscal year 1985.

Senator **Dixon**. General Stilwell, aren't there less volatile areas than Honduras in Central America, perhaps Panama, where U.S. ground forces could carry out exercises and receive the same training that they are receiving in the Honduran exercises?

General **Stilwell**. We do conduct major combined exercises in Panama on an annual basis. In fact Kindle Liberty 83 was even larger than the recent Ahuas Tara II exercise and involved 8,000 personnel. We also conduct smaller scale combined exercises such as the Engineer Training Exercise ongoing in Panama as part of the Fuerzas Unidas series.

Subsequent to the hearing, the following letter was received from Senator John Melcher of Montana:

U.S. Senate,
March 26, 1984.

Senator Roger Jepsen,
Chairman,
Subcommittee on Manpower and Personnel.

Dear Roger: I had hoped to be able to testify before your Committee concerning manpower problems that I noted during my December visit to Clark Air Force Base in the Philippines. However, I was late in making arrangements to come before the Manpower and Personnel Subcommittee and you had completed your hearings.

I hope that you will review my testimomy on this subject and include it as part of the record of your hearings.

Thank you and best regards.

Sincerely,

John Melcher.

[Enclosures.]

Testimony of Senator John Melcher

I am testifying today to urge the Subcommittee on Manpower and Personnel to consider including sufficient flexibility in end strength limits beginning in fiscal year 1985 defense authorization bill to accommodate additional personnel to be based at Clark Air Force Base and Subic Bay Naval Station in the Philippines.

During a recent trip to the Philippines in December 1983, I had the opportunity to visit Clark Air Force Base and talk with Major General Kenneth Burns, Commander, 13th Air Force, about the military situation in Southeast Asia and at Clark itself. Since then I have also discussed defense issues related to Southeast Asia and our presence in the Philippines with Admiral W. J. Crowe, Commander in Chief, Pacific, and General Jerome O'Malley, Commander, Pacific Air Force.

As a result of these discussions, I am convinced that we have fallen into a pattern of neglecting the strategic military importance of our military facilities in the Philippines. Despite a rapid U.S. defense buildup since 1979, there is a need for a more effective security at these Philippine bases and a capable readiness there.

There can be little doubt of the importance of our military presence in the Philippines to the overall defense of the Pacific region and our national security.

United States facilities in the Philippines represent one of the two major pivotal points of U.S. security policy in the Western Pacific Basin, the other being South Korea, Japan and Okinawa. By using the Philippine facilities in cooperation with Filipino Armed Forces, the United States is protecting the Philippines as well as other states in the Pacific area from potential external attack. Further, U.S. military presence in the Philippines deters outside interference in the internal affairs of the Philippines and other friendly nations in Southeast Asia.

This was borne out in the testimony last June of Assistant Secretary of State for East Asia and Pacific Affairs Paul D. Wolfowitz before the House Foreign Affairs Committee.

He stated:

"U.S. military forces in the Philippines are evidence of our abiding commitment to the Philippines under our mutual defense treaty. This security relationship is, in turn, a key element of our policies toward Southeast Asia, which have contributed significantly to the peace, security and remarkable economic growth and political stability of the entire region."

These are fine sentiments, and I agree with them completely. However, in spite of such statements, I found in my trip to Clark Air Force Base and my discussions with military commanders in the Pacific Command that our military capability in the Philippines is stretched too thin. Both Clark and Subic Bay suffer from inadequate security. The perimeter of the base is not secure. There are serious questions about the security of sensitive areas within the base itself, even weapons storage areas. The transfer of security for the base perimeter and to U.S. military police would exceed current manpower restrictions. The problem is duplicated at the Subic Bay/Cubi Point installation.

I encourage the committee to look into providing the flexibility in end strength limitations to permit the eventual transfer of security responsibilities to military police. I am aware that this may require additional negotiations between the Philippine and U.S. Governments, but that should start only after additional military police and shore patrol are assigned. But I believe it is important to start the process by the committee considering providing the manpower room to make such a change without further cutting back on other manpower requirements.

I would also urge the committee to consider providing additional flexibility in army end strength limitations to permit the basing of Army personnel at Clark Air Force Base.

The Soviet Union has stepped up its military presence in Southeast Asia by deploying Bear, Bison, Badger bombers and fighter aircraft in Vietman, and the Russian Navy has begun to routinely patrol the South China Sea and the Southeast Asia strategic straits, using the facilities we left in Cam Ranh Bay for refueling, refurbishing and repair.

I believe that we must beef up our presence in the Philippines to meet these new threats. I will be testifying before the Subcommittee on Sea Power and Force Projection and the Subcommittee on Military Construction on other aspects of our needs at the Subic Bay and Clark Air Force Base facilities, as I see them. However, my purpose today in this testimony is to encourage this committee to provide additional flexibility in its limitations on end strength positions for the Air Force, Navy and Army to permit upgrading our military presence in the Philippines.

Armed Forces personnel in Korea and Okinawa are committed to the defense of the Northern Pacific Region. Emergency threats to the Philippines, Malaysia or other countries in that region of Southeast Asia cannot count on use of those forces. That leaves only one Army Division in Hawaii to meet potential calls for assistance in Southeast Asia.

The additional Army personnel in the Philippines, along with needed Air Force and Navy security personnel, would accomplish some very important things, in my opinion.

First, it would demonstrate to the Government of the Philippines that we are committed to the protection of the region—that we are there for the long haul. Second, it would give us more flexibility in meeting possible threats in Southeast Asia. We wouldn't be faced with having to draw down any of our land forces in Korea or Okinawa to meet a threat to the strategic islands of Southeast Asia, nor would we have to immediately commit the only real backup troops in the Pacific—our division in Hawaii. Finally, we would have American forces on the spot to cooperate with Filipino Armed Forces in the Philippines and to back up our Asian allies in meeting military emergencies in Southeast Asia.

I am aware that the Army has taken the position before this committee that it is not going to ask for additional end strength positions. They intend to concentrate, instead, on using their resources to more fully equip their existing combat units.

I am also aware that under the recent memorandum of agreement with the Philippines on our bases there, that we would have to notify the Philippine Government of any major change in our permanently stationed troops there and that some negotiations might be needed. I am also aware some additional facilities would likely have to be constructed at Clark Air Force Base to house the added personnel.

However, I am convinced that the strategic importance of Southeast Asia and the importance of our commitment there makes the enhancements necessary. That is why I have taken the opportunity to urge that the committee take the first necessary step and consider providing the room for this option in your approved projected end strength position for the Army in the 1985 defense authorization bill.

[Attachment.]

National Association for Uniformed Services,
Springfield, VA, March 26, 1984.

Hon. Roger W. Jepsen,
Chairman, Subcommittee on Manpower and Personnel, Committee on Armed Services, U.S. Senate, Washington, DC.

Dear Mr. Chairman: At your March 22 hearing on the Defense Authorization Act you invited the military associations to cite the three most important current military compensation issues.

The National Association for Uniformed Services (NAUS) believes that the most important military compensation changes under consideration are:

1. The active duty pay raise. We urge you to support the principle of pay comparability and the specific pay increases proposed by the President.

2. Increased permanent change of station (PCS) allowances. The increases proposed by the Department of Defense are far from enough to pay actual moving costs for most service people, but they are a step in the right direction. We urge you to support them.

3. Retiree Cost of Living Adjustments (COLAs). NAUS recognizes that there is general agreement in the Congress and the Administration that some retirement cost savings must come from COLA reductions. We urge that you make every possible effort to:

(a) Maintain the buying power of retired pay.

(b) Have any COLA reduction applied uniformly to all retirees regardless of age. The pre-62 half COLA is an unjustifiable discrimination against the younger retiree that, through compounding, greatly reduces his retired pay both before and after age 62. A small and relatively painless across-the-board COLA reduction will save more money than a large and unfair reduction only for those under age 62.

(c) Require that any COLA reduction applied to uniformed services retirees also apply to all Federal retirees and Social Security recipients. This is the only equitable approach, and the only way to save large amounts through small reductions.

Sincerely,

John P. Sheffey,
Executive Vice President.

Non Commissioned Officers Association
of the United States of America,
Alexandria, VA, March 26, 1984.

Hon. Roger W. Jepsen,
Chairman, Subcommittee on Manpower and Personnel, Senate Committee on Armed Services, Russell Senate Office Building, Washington, DC.

Dear Mr. Chairman: In reply to your request to name the three top priority compensation items in the fiscal year 1985 Defense Authorization Bill, the Non Commissioned Officers Association of the USA (NCOA) has selected;

First, a 5.5 percent pay increase across-the-board effective Jan. 1, 1985 (although the Association strongly urges an earlier date of Oct. 1, 1984).

Second, improvements in moving allowances to include higher reimburseable mileage rates (from 13¢ per mile to 15¢), an increase in Household Goods Weight Allowances and funding for the Temporary Lodging Expense (TLE) program.

Third, increase from $83 to $110 incentive and hazardous duty payments for eligible enlisted servicemembers who qualify for Flight Deck Duty, Demolition Duty, Parachute Duty, Experimental Stress Duty, Personal Exposure and Noncrew Flight Duty.

Your request was made to the three association representatives, including NCOA's, appearing before your subcommittee on March 22, 1984, to discuss the FY 1985 Defense Authorization Bill. You also asked the representatives to provide information on ways Congress might save money in the military retirement system.

In view of the complex nature of the system and the adverse effect even minor changes in the system may have on the future retention of qualified and experienced servicemembers, the Non Commissioned Officers Association of the USA (NCOA) has no recommendations at this time. The Association continues to review and study the issue well-knowing its value to military personnel. If any recommendations are developed, your subcommittee will be advised at the earliest.

With appreciation for your continued interest and concern for the men and women in the Armed Forces, I am,

Sincerely,

C. A. "MACK" MCKINNEY,
Executive Director for Government Affairs.

NON COMMISSIONED OFFICERS ASSOCIATION
OF THE UNITED STATES OF AMERICA,
Alexandria, VA, March 26, 1984.

Hon. ROGER W. JEPSEN,
Chairman, Subcommittee on Manpower and Personnel, Senate Committee on Armed Services, Russell Senate Office Building, Washington, DC.

DEAR MR. CHAIRMAN: During the March 22 hearing on the FY 1975 Defense Authorization Bill, I mentioned it may be of interest to the subcommittee to review the early results of the Association's survey on military retirement. The survey appeared in the Feb. 1984 NCOA JOURNAL of which a copy is attached.

The Association violated two important principles in conducting its survey: 1)—the reader had to do all the work (cut-out or reproduce the form, complete it, place it in his or her own envelope and address the envelope); and 2)—use a stamp to mail the form to NCOA.

Between February 10, when the first ones arrived, through March 23 a total of 1,540 completed survey forms have been received by NCOA. This is a far greater number than anticipated for former surveys conducted in this manner produced very light returns. The results of the tabulations also are attached for your review.

Sincerely,

C. A. "MACK" MCKINNEY,
Executive Director for Government Affairs.

NCOA MILITARY RETIREMENT SURVEY (FEBRUARY 10 THROUGH MARCH 23, 1984)

	Number received		Percentages	
	Active duty	All	Active duty	All
Service:				
U.S. Army	133	290	13.6	18.9
U.S. Navy	304	386	31.1	25.1
U.S. Marine Corps	252	304	25.8	19.7
U.S. Air Force	252	514	25.8	33.4
U.S. Coast Guard	28	33	2.8	2.1
Unknown	7	12	1.2	.7
Component:				
Active duty	976	976	100.0	63.4
Reserve	0	16	0	1.0
Guard	0	5	0	.3
Retired	0	443	0	28.7
Unknown	0	100	0	6.5
Paygrade:				
E–4	101	115	10.3	7.4
E–5	206	237	21.1	15.4
E–6	248	354	25.4	23.0
E–7	220	409	22.5	26.5
E–8	100	213	10.3	13.8
E–9	46	138	4.7	8.9
Other	50	68	5.1	4.4
Unknown	5	6	.5	.4
Occupation:				
Combat	111	172	11.4	11.1
Combat Support	152	235	15.6	15.2
Communications	88	160	9.0	10.4
Administration	78	155	8.0	10.1
Supply	40	83	4.1	5.4
Motor Transportation	28	42	2.8	2.7

NCOA MILITARY RETIREMENT SURVEY (FEBRUARY 10 THROUGH MARCH 23, 1984)—Continued

	Number received		Percentages	
	Active duty	All	Active duty	All
Food services	9	24	.9	1.5
Air Crew	71	116	7.3	7.5
Ship's Company	37	63	3.8	4.1
Other/Unknown	362	490	37.1	31.8
Years of service:				
1–4	97	105	9.9	6.8
5–8	190	209	19.4	13.6
9–11	148	158	15.1	10.2
12–15	182	190	18.6	12.3
16–20	220	356	22.5	23.1
21–22	42	181	4.3	11.7
23–26	53	178	5.4	11.5
27–30	25	139	2.5	9.0
Unknown	19	24	1.9	1.5
Married:				
Yes	779	1,261	79.8	81.9
No	185	262	18.9	17.0
Unknown	12	17	1.2	1.1
Dependent children:				
Yes	695	926	71.2	60.1
No	271	599	27.7	38.9
Unknown	10	15	1.0	1.0
First preference:				
1	24	34	2.4	2.2
2	17	25	1.7	1.6
3	154	183	15.8	11.9
4	24	39	2.4	2.5
5	56	86	5.7	5.6
Current	681	1,156	69.8	75.1
Unknown	15	17	1.5	1.1
Alternate choice:				
1	23	32	2.3	2.1
2	34	59	3.5	3.8
3	430	755	44.1	49.0
4	54	63	5.5	4.1
5	51	135	5.2	8.8
None (write in)	112	143	11.5	9.3
No Selection/Unknown	272	353	27.9	22.9
Affect of change if current system not retained:				
None	8	11	.8	.7
Little	46	78	4.7	5.1
Moderate	201	306	20.6	19.9
Great	375	629	38.4	40.8
Extreme	311	456	31.9	29.6
Unknown	35	60	3.6	3.9
Totals	976	1,540	63.4	36.6

Note.—Unknown describes those who failed to select or circle one of the descriptive items printed on the survey form.

MILITARY RETIREMENT SURVEY

NCOA needs your help.

If you've been reading the past few issues of the NCOA JOURNAL you're aware that Congress is taking a hard look at the current military retirement system. Many members of that body and others are saying it's too costly or over-generous. They want change and the Defense Department has been instructed by President Reagan to recommend alternative plans. It's either this or Congress will come up with one of its own.

Defense tasked the Fifth Quadrennial Review of Military Compensation (5th QRMC) to find alternatives by last October. However, the group, knowing that any change would have an impact on reenlistments, delayed the report until January

1984. It has put together four recommendations that go to the Secretary of Defense (SecDef) for his review. Once he has made a choice, if any, it will be his task to sell it to the Reagan administration and, eventually, Congress.

The NCOA National Capital Office (NATCO) has prepared a chart, "Military Retirement Systems (Current and Alternatives)," which appears following this article for the reader's review. CHOICEs No. 1 through 4 are being recommended to the SecDef by the 5th QRMC. CHOICE No. 5 is suggested by one of the armed services and is reported to be going to the SecDef in the company of the others.

Accompanying the chart are examples for each of the five plans plus the current system. NATCO used only the pay grade of an E-7 retiring at 20 years-of-service (YOS) to provide estimates of amounts of retired pay anticipated each month and annually for the first year. Also shown are estimates of amounts of Early Retirement Withdrawal suggested in the alternative choices.

If there are no Cost-Of-Living Adjustments (COLAs), which is unlikely, CHOICEs No. 3 and No. 5 would provide greater lifetime incomes than the current system for the retiree. With full COLAs, only the current system offers a greater lifetime income. If Congress follows through in 1984 with its threat to permanently reduce COLAs to 50 percent for the current system, CHOICE No. 3 could be a better plan than the others for future retirees.

Once readers have studied the chart and examples, NCOA urged them to complete the "NCOA Military Retirement Survey" form also appearing after this article. It is a simple matter of circling the correct answer to the right of each question. There is a space for "Remarks" if the reader cares to comment. No signature or address is required. After completion, cut out the form and mail to the address noted at the bottom of the survey.

The survey, if successful, will assist NCOA in preparing adequate testimony to present to Congress and the administration favoring the membership's choice of plans. To be successful, many members and readers must mail in the completed survey form. So help NCOA by completing and mailing the form NOW. Your help today assures you have a voice in the future of your military retirement system.

NCOA MILITARY RETIREMENT SURVEY

Please circle the answer applicable to you.

1. Service? USA USN USMC USAF USCG

2. Component? Active Reserve Guard Retired

3. Pay Grade? E-4 E-5 E-6 E-7 E-8 E-9 Other

4. Occupation Field?
Combat Combatsupport Communications Admin
Supply Motor Transport Food Services Aircrew
Ships Company Other (please specify)

5. Yrs. of creditable service for retirement eligibility?
1 to 4 5 to 8 9 to 11 12 to 15
16 to 20 21 to 22 23 to 26 27 to 30

6. Married? Yes No

7. Dependent children? Yes No

8. Which of the systems explained in the military retirement systems chart above do you prefer?
1 2 3 4 5 Current

9. If you circled "Current" in question 8, which of the alternative choices would you be willing to accept?
1 2 3 4 5

10. What do you believe the degree of impact will be on retention (reenlistments) if current system is changed to one of the alternatives?
None Little Moderate Great Extreme

11. Remarks (If any)? ______________________________
____
____

Thank you for completing this survey and mailing it to:
NCOA (Survey)
219 N. Washington Street
Alexandria, VA 22314

MILITARY RETIREMENT SYSTEMS
(Current and Alternatives)

SYSTEM	MULTIPLIER (% x BASIC PAY x YOS)	EARLY RETIREMENT WITHDRAWAL (Lump Sum)	COLA ADJUSTMENT	GRAND-FATHERED	REMARKS
Current	2-½%	None	100%	N/A	For Retirees under 62, COLA currently reduced to 60% of anticipated CPI. Probability of permanent 60% of CPI in 1984.
FIFTH QRMC RECOMMENDED ALTERNATIVES					
CHOICE No. 1	1.75%	210% of Annual Basic Pay @ 20 YOS; @ 23 YOS + 60%; @ 27 YOS + 100%	100%	YES	20 yr. retiree entitled to 35% of basic pay; 52.5% maximum @ 30 YOS
CHOICE No. 2	35% @ 20 38.325% @ 21 41.6% @ 22 45.425% @ 23 49.2% @ 24 53.125% @ 25 57.2% @ 26 61.425% @ 27 65.8% @ 28 70.325% @ 29 75% @ 30	210% of Annual Basic Pay at end of 20th year	100%	YES	Early Withdrawal would be paid in lump sum @20 YOS even if member remains on active duty to retire later
CHOICE No. 3	2-½%	160% of Annual Basic Pay @ 20 YOS, @ 23 YOS + 40%; @ 27 YOS + 60%	60% to age 62	NO	Personnel under 12 YOS may opt for this choice or current system w/reduced COLA to age 62
CHOICE No. 4	Same as CHOICE No. 2 above	200% of Annual Basic pay for officers; 300% for enlisted at end of 20th year.	75% to age 62	YES except for COLA	Same as 3 above.
ALTERNATIVE RECOMMENDED TO DoD (Not from 5th QRMC)					
CHOICE No. 5	2-½% minus 1% for each year less than 30 YOS	175% of Annual Basic Pay for officers; 250% for enlisted at end of 20th year	1% less than Annual CPI (i.e. 3.1% CPI = 2.1% COLA)	YES except for COLA	COLA Adjustment of minus 1% is for life.

NOTES: All elements of the alternatives have yet to be confirmed. For example: Early Withdrawal may be paid when servicemember completes the 20th YOS or upon retirement, whichever is chosen by the powers-to-be.

Early Withdrawal in CHOICES No. 1 and 2 would be paid as follows: At end of 20 YOS the percentage noted multiplied by annual basic pay for over 20 years. If member serves 3 more years, he or she receives an additional withdrawal computed by the percentage noted multiplied by the annual basic pay for over 22 years, with another withdrawal at 27 YOS.

EXAMPLES

Pay Grade E-7 Retiring in 1984 at 20 YOS with Monthly Basic Pay of $1543
(All dollar figures to nearest $1 at Constant 1984 Dollars)

	CURRENT SYSTEM	ALTERNATIVE CHOICES 1	2	3	4	5
BASIC PAY (Jan. 1, 1984)	$ 1,543	$ 1,543	$ 1,543	$ 1,543	$ 1,543	$ 1,543
MULTIPLIER	2-½%	1.75%	*	2-½%	*	@
MONTHLY RETIRED PAY	$ 772	$ 540	$ 540	$ 772	$ 540	$ 694
ANNUAL PAY (w/o COLA)	$ 9,258	$ 6,480	$ 6,480	$ 9,258	$ 6,480	$ 8,328
EARLY RETIREM'T WITHDRAWAL	NONE	$ 38,884	$ 38,884	$ 29,626	$ 55,548	$ 32,403
LIFETIME RETIREMENT INCOME (w/o COLA)	$298,256	$246,263	$246,263	$325,882	$262,927	$299,033
LIFETIME RETIREMENT INCOME (w/3% Annual COLA)	$462,925	$362,931	$362,931	$401,263	$345,646	$385,517

NOTES: For later years, basic pay for retirement will be computed on Hi-3 year average; therefore, lifetime incomes may be more or less.

Lifetime Retirement Incomes (w/3% annual COLA) are broad estimates for no one can predict inflationary increases, if any. Incomes noted may be more or less.

Lifetime Retirement Incomes under CHOICES 1 and 2 above offer identical payments at 20 YOS; however, CHOICE No. 2 offers higher monthly payments beginning @ 21 YOS with CHOICE No. 1 providing withdrawal payments @ 23 YOS and 27 YOS.

* See MULTIPLIER for CHOICE No. 2 in above chart.

@ See MULTIPLIER for CHOICE No. 5 in above chart.

Senator **JEPSEN**. I thank both of you again for your testimony today.

The committee is adjourned.

General **STILWELL**. Thank you, Mr. Chairman.

[Whereupon, at 11:17 a.m., the subcommittee adjourned, subject to the call of the Chair.]

DEPARTMENT OF DEFENSE AUTHORIZATION FOR APPROPRIATIONS FOR FISCAL YEAR 1985

FRIDAY, MARCH 9, 1984

U.S. SENATE,
SUBCOMMITTEE ON MANPOWER AND PERSONNEL,
COMMITTEE ON ARMED SERVICES,
Washington, DC.

ACTIVE DUTY AND CIVILIAN MANPOWER

The subcommittee met in open session, pursuant to notice, at 10:40 a.m., in room SR-232A, Russell Senate Office Building, Senator Roger W. Jepsen (chairman) presiding.

Present: Senators Jepsen, Nunn, and Dixon.

Staff present: Patrick A. Tucker, counsel; Arnold L. Punaro, staff director for the minority; Richard D. Finn, Jr., David S. Lyles, professional staff members; and Mary J. Kampo, staff assistant.

Also present: Ronald P. Kelly, assistant to Senator Humphrey; Dale F. Gerry, assistant to Senator Cohen; Jeffrey B. Subko, assistant to Senator Exon; and Charles C. Smith, Jr., assistant to Senator Dixon.

OPENING STATEMENT BY SENATOR ROGER W. JEPSEN, CHAIRMAN

Senator JEPSEN. The Manpower and Personnel Subcommittee meets this morning to conduct its second of four hearings on the Department of Defense manpower request for fiscal year 1985.

The subcommittee's first hearing on the manpower request focused on the issues of our national security commitments and the requirements for forces generated by those commitments.

Today, the subcommittee will focus on the Department's requests for active duty and civilian manpower to man those forces. The subcommittee will focus on the issue of Reserve manpower and the mix of Active and Reserve forces in its hearing scheduled for March 20. We will try not to get into that in any depth today.

Our final hearing, then, is scheduled for March 22 and will focus on the issues of compensation, benefits, and allowances for our military personnel.

The subcommittee is pleased to have as our witnesses this morning Hon. Lawrence J. Korb, the Assistant Secretary of Defense for Manpower, Installations, and Logistics, and the Deputy Chiefs for Manpower of the Army, Navy, Air Force, and Marine Corps.

Lt. Gen. Robert M. Elton is the Deputy Chief of Staff for Personnel of the Army. Vice Adm. William P. Lawrence is Deputy Chief of Naval Operations for Manpower, Personnel, and Training. Lt. Gen. Kenneth L. Peek is Deputy Chief of Staff for Manpower and Personnel for the Air Force. Lt. Gen. William R. Maloney is Deputy Chief of Staff for Manpower of the Marine Corps.

We will hear from Dr. Korb first so that he may give us a broad overview of the Department's active and civilian manpower requests and discuss programs and issues which have departmental-wide interest or ramifications.

Then we will hear from each of the four personnel chiefs about their services' portions of the manpower requests and about issues having special relevance to the individual services.

I would ask the members to hold their questions until after we have heard from all the witnesses as some questions generated by the statement of one witness should be addressed by several of our other witnesses.

As I said once before and emphasize again, I also believe it will be best if we try to limit our inquiries this morning only to active and civilian manpower issues. I understand that Reserve forces issues may be related to active and civilian force issues, but our hearing on March 20 will be devoted solely to Active/Reserve forces mix issues. I remind everyone we will have hearings on the 20th to cover that.

I am advised Senator Dixon, a new member of the subcommittee, is on his way. He is a very dear friend and good neighbor of mine and the new ranking minority member. I would like to welcome him. I know that he will make a very valuable contribution to the subcommittee's work.

I have already advised him personally that I look forward to working with him. When the Senator does come, if he has an opening statement, we will not interrupt the witness who is talking at that time, but we will have the Senator make any statement he desires before we proceed with the next witness.

Thank you.

I will advise you that your formal statements will be entered into the record as if read. I would respectfully hope that we can work in our oral statements in between 5 and 7 minutes so we will have time for questions.

Dr. Korb, you may proceed.

STATEMENT OF HON. LAWRENCE J. KORB, ASSISTANT SECRETARY OF DEFENSE FOR MANPOWER, INSTALLATIONS, AND LOGISTICS

Dr. **Korb**. Thank you very much, Mr. Chairman.

It is always a pleasure for me to appear before you to present an overview of the manpower situation within the Department of Defense.

Before beginning my statement, I must acknowledge the contribution that this subcommittee has made to the Department's progress during the past 3 years. Because of our cooperation, the Federal Government can assure the American people that their Armed Forces today are of the highest quality in our Nation's history.

When the Reagan administration came into office, however, the total military force had serious manpower deficiencies in both the Active and Reserve Forces. We suffered both quality and quantity shortages. Our forces were not only undermanned but also were unable to attract enough qualified recruits to fill the ranks. Since that time, the manpower situation has turned around dramatically.

Significant compensation improvements have been made since fiscal year 1981; we believe that military compensation is now at a level that is fair and competitive.

There were over 73,000 more people on active duty in fiscal year 1983 than in fiscal year 1980. Excessive losses from the career force have been stopped; reenlistments are up significantly

The Selected Reserve now exceeds 1 million members. This is the highest Selected Reserve strength in history.

Fiscal year 1983, when compared to fiscal year 1979, shows an increase in our Selected Reserve of almost 200,000 people or about 24 percent.

We are recruiting new, high quality, personnel and previous service personnel at an improving rate.

Ninety-one percent of our new recruits have earned a high school diploma as compared to 75 percent of all young people of military age.

In 1980, only 68 percent of new recruits had earned a high school diploma.

In fiscal year 1983, some 25,600 people with prior military service chose to enlist, exceeding our goal by nearly 6 percent.

Reenlistment rate increased from 55 percent—190,000 reenlistments—in fiscal year 1980 to 68 percent—227,000 reenlistments—in fiscal year 1983.

We have been successful for a number of reasons:

Our use of enlistment bonuses and the Army College Fund results in higher quality recruits with greater aptitude for technical training.

Because of the improved recruit quality, attrition during the first 12 months of service has dropped from 15 percent in fiscal year 1981 to 13.5 percent for fiscal year 1983.

As we face a tighter recruiting market in the next few years, enlistment bonuses will continue to be an important tool in achieving our recruiting goals. The exact amount of future enlistment bonus payments will need to be balanced with the availability and magnitude of other recruitment incentives.

The selective reenlistment bonus program continues to be the cornerstone of our efforts to retain personnel in critical military skills. The bonus is currently being used on a selective basis when cost effectiveness is demonstrated and only after other less costly options have been fully explored. The success that these programs have enjoyed over the years is clear evidence of their value as recruiting and retention incentives.

While succeeding with both Active and Reserve recruitment and retention, the Department has continued to review ways to maximize the tax dollars being spent on defense.

One of the most promising elements of our expenditure equation is the mix of Active and Reserve Forces in the total military force structure.

From fiscal year 1984 to fiscal year 1989, we are planning for the total military force structure to grow from 2.826 million billets to 3.129 million billets, an increase of 10.7 percent. Of this growth, 182,000 billets will be in the Reserve components, representing 60 percent of the planned increase.

By fiscal year 1989, 37.4 percent of the total force billets will be in the Reserve components, compared to 32 percent in fiscal year 1980. Thus, during the decade of the 1980's, the Reserve components will increase at almost twice the rate of the Active Forces.

This shift to the Reserves is most dramatic in the Army, which is planning over 91 percent of its increase in the Reserves. By the end of this decade, the total Army will have more of its manpower in the Reserves than in the Active component.

One of our objectives for fiscal year 1985 is to maintain military compensation at fair and competitive levels. In future years, we plan increases at least comparable to those in the private sector. We are seeking a 5.5-percent military pay raise for fiscal year 1985, which more than matches the projected 4.7-percent growth in civilian sector wages.

We have also planned for further improvements in reimbursement for expenses associated with permanent changes in station moves:

An increase in member monetary allowance in lieu of transportation [MALT] from 13 cents to 15 cents per mile.

An increase in the maximum household goods weight allowances from 13,500 pounds to 18,000 pounds to put the Defense Department on a par with other Federal agencies; authority to implement the temporary loading expenses allowance [TLE].

In addition to the pay raise and improvement in travel reimbursements, we have included funding in the legislative contingency for fiscal year 1985 for increases in a number of special and incentive pays based upon the recommendations of the Fifth Quadrennial Review of Military Compensation [QRMC]. Although special and incentive pays comprise a relatively small part of the total compensation budget, they are essential to our ability to attract and retain the proper number of quality careerists in specific areas.

A third and often overlooked element of our total force is the civilian component. Civilian manpower resources are the most cost-effective part of our total force. The DOD civilian work force is a preeminent contributor to the readiness of our Nation's military establishment. Civilians are heavily involved in research and development, procurement and supply operations, other depot maintenance logistics support, medical care, and base operations.

The distribution of civilian manpower resources among the military services and defense agencies is based on the changing mission of the different components, the differing workloads associated with those missions, and the Department's use of alternatives to the civilian work force. These alternatives include use of temporary employees and overtime, contracting workloads to the private sector, and the use of capital equipment as a substitute for more costly labor. As a result of all of these variables, the distribution of the total employment levels among the services and agencies will vary from year to year.

At the end of fiscal year 1983, the Department of Defense employed 1,064,000 civilians in support of military functions.

Forty-two percent of the fiscal year 1983 civilian work force were employed in logistics functions.

Fourteen percent were employed in training activities, medical care, and other associated activities directly in support of our military personnel.

Nine percent worked in support of general purpose forces operations.

Two percent worked in strategic forces operations.

Two percent worked in airlift and sealift operations.

Seven percent supported Guard and Reserve operations.

For fiscal year 1985, the Department is requesting 1,085,000 end strength, an increase of 7,000 over the fiscal year 1984 authorized levels. The growth will occur principally in readiness-related areas such as spares management, maintenance support, and auditing and control functions.

The fiscal year 1983 and fiscal year 1984 DOD Appropriations Acts excluded DOD industrially funded activities from civilain manpower ceilings. This has allowed the Department the opportunity to show the Congress that it can operate efficiently and economically without statutory ceiling constraints. We have prepared a report for the Congress which highlights the salutary effects of operating these industrial organizations with civilian manpower balanced against funded workloads.

The Department has severe problems with the management headquarters reductions. Our workloads, especially those directed by the Congress, are increasing. A GAO analysis indicates that DOD headquarters manpower has remained at constant levels over the last 5 years.

The Department has implemented the 5-percent reduction requirements of the law. During the budget review, we scrubbed each headquarters activity to eliminate inappropriate organizations. Then we applied a pro-rata reduction.

There are a number of special areas where this committee's help would be most appreciated:

The passage of legislation to block permanently the transfer of the Department of Defense Dependents Schools to the Department of Education.

The passage of an extension of the delimiting date on the GI bill and the defeat of any attempt to create a new veterans education benefit.

The defeat of any legislation which would limit the Secretary of Defense's ability to manage the affairs within the Department.

The passage of all military construction projects as presented, particularly those that affect the living and working conditions of our men and women.

In this era of budget austerity, it is important for all of us to look for and take advantage of every opportunity to save tax dollars. But we must not follow the prophets of false economy, who would have us reduce manpower costs as a fast and easy way to lower overall spending. Although we must improve our ability to evaluate carefully every proposal, review every operation, and analyze every opportunity to save and economize, we cannot overlook the fact that our people are our most important asset and must receive our highest priority.

Providing the increases in total force manpower we have requested, particularly in the active and civilian components, is vital this year. These increases are necessary to man and repair the weapon systems that Congress has authorized during the past several years. Failure to provide these increases may save some funds in the short run, but will cause manpower readiness problems in the long run.

Any changes that Congress may wish to make in our manpower programs cannot be made in isolation. If you authorize a ship, then you must give us the people to man and fix that ship when it comes into the force. Conversely, if you wish to reduce our manpower in the future, you should consider reducing weapon systems now.

I thank the subcommittee for inviting me here today and look forward to our working together in the future.

Thank you very much, Mr. Chairman.

[The prepared statement of Dr. Korb follows:]

PREPARED STATEMENT OF DR. LAWRENCE J. KORB, ASSISTANT SECRETARY OF DEFENSE, MANPOWER, INSTALLATIONS, AND LOGISTICS

Mr. Chairman and members of the committee, it is a pleasure for me to appear before you today to present an overview of the manpower situation within the Department of Defense. Before beginning my statement, I must acknowledge the contribution that this committee has made to the Department's progress during the past three years. Because of our cooperation, the federal government can assure the American people that their Armed Forces today are better prepared than ever to defend the national interest at home and abroad.

When Secretary Weinberger came before the Congress in 1981 to present the Reagan Defense program, he said, "In this Administration there has never been any question that the United States must rebuild its military strength. The world we live in and the world we can reasonably expect to live in is not a place where the weak, the irresolute or those who are unwilling to defend themselves can hope to survive."

The Secretary went on to point out that those nations unwilling to make the necessary sacrifices to defend their vital interests have not long survived.

During the final years of the Vietnam war, the United States sought to reduce defense expenditures significantly and permanently while at the same time retaining the capability to fulfill its national security obligations. To achieve both economy and strength, the Department of Defense reduced the numbers and capabilities of the Active Forces and increased its reliance on the Guard and Reserves. A Total Force Policy was developed to emphasize the concurrent consideration of both Active and Reserve components in reaching a military strength able to support our national strategy.

When the Reagan administration came into office, however, the Total Force had serious manpower deficiencies in both the Active and Reserve forces. We suffered both quality and quantity shortages. Our forces were not only undermanned but also were unable to attract enough qualified recruits to fill the ranks. The test scores and educational achievements of our new recruits had reached perilous lows, morale had plummeted, and the loss of career personnel was described as the greatest hemorrhage of talent in military history.

The cumulative effects of years of inadequate pay and compensation and the lack of national pride in our men and women in uniform had taken their toll on the Total Force. Peacetime readiness and wartime sustainability were serious concerns at home and abroad. Many of our allies, especially in NATO, expressed concern about our ability to meet our defense commitments.

The Reagan administration's plans for rebuilding the Armed Forces were, and continue to be, based on sound principles of recruitment and retention by offering to qualified volunteers an environment in which they can become skilled professionals, be paid a competitive wage, and make a contribution to the security of the nation.

The administration realizes that dynamic conditions have contributed to the success in recruiting and retention and that the conditions which assisted our force recovery may not continue forever. We feel quite strongly, however, that the kind of efforts we have pursued are the linchpins for continued success. Excellent training, competitive pay and adequate housing, and an environment conducive to quality family life are vital elements in recruiting and retention.

Three years later, the hemorrhage of experienced talent has stopped. In fact, on February 2, Secretary Weinberger reported to the Congress that "the brightest picture we have is the personnel picture." There is overwhelming evidence that our efforts are successful. In fact, both Active and Reserve force strength targets are being met and are being achieved during a time when the total force is increasing in size. For example:

There were over 73,000 more people on active duty in fiscal year 1983 than in fiscal year 1980. Excessive losses from the career force have been stopped; reenlistments are up significantly.

The Selected Reserve now exceeds one million members. This is the highest Selected Reserve strength since fiscal year 1961, and the fiscal year 1983 end strength was only 3,500 people shy of the all time record number in fiscal year 1959.

Fiscal year 1983, when compared to fiscal year 1979, shows an increase in our Selected Reserve of almost 200,000 people or 24 percent.

On the recruiting front, each of the services continues to meet its recruiting goals. Test scores and educational levels of our new recruits are higher than those of the overall civilian youth populaton.

In fact, 91 percent of our new recruits have earned a high school diploma as compared to 75 percent of all young prople of military age.

In 1980, only 68 percent of new recruits earned a high school diploma.

An interesting fact about our recruiting efforts is that 92 percent of our new recruits scored in the average or above average range on the enlistment qualification test—the test required of all applicants for military enlistment. This fact is especially encouraging at the upper end of the test profile, where almost half of our recruits scored above average as compared to 37 percent in the youth population. Most of these high-scoring young people have the ability to enter our finest colleges and universities rather than enlisting.

Much of the success of our recruiting and retention programs can be attributed to the significant increases in military compensation since 1980. Two large pay increases—11.7 percent in fiscal year 1981 and an average 14.3 percent in fiscal year 1982—combined with implementation of the Variable Housing Allowance (VHA) and significant increases in special and incentive pays, bonuses, and travel reimbursements have produced levels of military compensation which we believe are fair to military members and that enable us to compete with the civilian sector for manpower.

Our objective in the fiscal year 1985 budget is to maintain military compensation at fair and competitive levels. In future years we plan increases comparable to those in the private sector. We are seeking a 5.5 percent military pay raise, which more than matches the projected 4.7 percent growth in civilian sector wages. We have also planned for further improvements in reimbursement for expenses associated with permanent change of station moves. Specifically we are requesting:

An increase in member Monetary Allowance in Lieu of Transportation (MALT) from 13¢ to 15¢ per mile;

An increase in the maximum household goods weight allowances from 13,500 lbs to 18,000 lbs;

Authority to implement the Temporary Lodging Expense Allowance (TLE).

The Temporary Lodging Expense (TLE) was first authorized in the Uniformed Services Pay Act of 1981. As authorized, the program would reimburse military members and their dependents up to $110.00 per day for a maximum of four days for subsistence and lodging expenses actually incurred while occupying temporary quarters in the continental United States incident to a permanent change of station move. Thus far Congress has prohibited funding to implement TLE. We would like to implement this vital reimbursement and seek the Congress' support in doing so.

In addition to the pay raise and improvement in travel reimbursements, we have included funding in the legislative contingency for fiscal year 1985 for increases in a number of special and incentive pays based upon the recommendations of the Fifth Quadrennial Review of Military Compensation (QRMC). The Fifth QRMC conducted a comprehensive review of special and incentive pays to determine if they are fulfilling their intended purpose based on current and projected force management considerations and cost effectiveness. The QRMC concluded that special and incentive pays will continue to be necessary in order to attract and retain the proper skill and experience mix to support mission readiness. Those pays that were judged to be effective were recommended for retention and in some cases enhanced, and those that were determined to be ineffective were recommended for elimination, or restructured to improve their effectiveness and cost efficiency. Although special and incentive pays comprise a relatively small part of the total compensation budget, they are essential to our ability to attract and retain the proper number of quality careerists in specific areas. These recommendations are now being considered in DOD and, if finally approved, implementing legislation will be forwarded to the Congress.

As previously noted the loss of experienced, career people has declined measurably. Reenlistments are reaching all-time highs, and the career force, in response to manning requirements, is growing in size, experience, and quality at a rate greater than the rate of increase in overall manpower strength. In fact, there are almost 112,000 more people with 4 or more years of service in the active force enlisted ranks than there were when this administration took office. Retention of these experienced people reduced turmoil and is critical to manning, operating and maintaining the new sophisticated equipment entering the inventory.

DOD has compiled an impressive record of enlistment and reenlistments in part because of incentive bonuses. They are a highly flexible and efficient means of recruiting and retaining personnel for critical occupations. Bonus levels, and the skills for which bonuses are offered, can be easily adjusted to reflect changing supply and demand. Bonuses allow DOD to react quickly to recruiting and retention problems that may arise because of an improved economy or a reduced youth population. As we face a tighter personnel market in the next few years, enlistment and reenlistment bonuses necessarily will play an even more important role in reaching our Total Force goals. The exact amount of future bonus payments will need to be balanced with the availability and magnitude of other financial incentives and other improvements in the quality of life we have to offer.

As an important ingredient of recruitment and retention, the administration has made great strides towards improving the quality of life for military families. In the last several decades there has been a significant shift in the demographics of our Armed Forces. Today over 52 percent of our force is married, compared to under 30 percent in the 1950's. The Department's commitment towards family members is based on both a moral obligation and on the strong correlation between the satisfaction level of military families and the retention and recruitment of the servicemember. There have been several studies of both our active and reserve forces to confirm this correlation.

The Department feels that it is obligated to provide military family members with a basic level of services commensurate with the services normally provided by our stateside civilian communities. In our overseas areas, because of the absence of available civilian and community programs and an absence of the extended family ties upon which all families rely for support, an enhanced level of family support programs is justified.

Poor working and living conditions hurt the readiness of our forces and discourage people from enlisting and reenlisting. Improving the physical surroundings as a part of the quality of military life is a significant challenge but one whose rewards will be felt in the quality of our Armed Forces and their readiness to meet mission requirements.

Among the most frequently expressed concerns of our family members are improved health care, housing, and job opportunities for family members. We have been working diligently to resolve these issues and have increased our Military Construction program, emphasizing both family and bachelor housing, and have been seeking authority to obtain additional housing units wherever necessary.

After a decade of underfunding the construction, maintenance, and repair of Defense facilities, we began in fiscal year 1981 to fund our requirements to prevent further plant deterioration and upgrade working and living conditions for our people. To improve conditions, we have increased our Military Construction program. Since 1980 we have built or improved:

70,000 family housing units; 90,000 unaccompanied personnel housing spaces; 50 medical centers; 60 physical fitness facilities; 60 dependent schools; and many child care, family service, and religious facilities.

For fiscal year 1985, we are asking for authority to build or upgrade:

Over 44,000 unaccompanied personnel billeting spaces; 72 schools; over 24 family service or child care centers; and many administrative, supply, and medical facilities. Readiness, sustainability, modernization, and people programs drive the need for an adequate military construction program.

Through your help, we are now able to fund dependent student travel. This will allow students to visit their families overseas at least annually and is a substantial morale booster for all our families. I cannot stress enough the importance of this benefit to our service members.

The President has signed an Executive Order which provides for preferential hiring treatment for military and civilian spouses. This will allow our military spouses to fill civil service positions non-competitively when they are forced to terminate their employment because of the sponsor's change of station. Today 53 percent of military spouses are employed, the majority of these contributing over 25 percent of the total family income.

While on the subject of families, I cannot neglect to mention the important subject of dependent schools. As you know, since 1979, the Department of Defense Dependents Schools (DoDDS) has been forced to operate under the threat of being transferred out of the Defense Department to the Department of Education. In response to our legislative initiatives, the transfer has been twice postponed by Congress; although on both occasions, a permanent repeal request was not passed. The current mandatory transfer date is May 1986.

A permanent repeal of the transfer requirement is desirable for several reasons. The overseas schools are unquestionably an academic success—as evidenced by the high Scholastic Aptitude Test (SAT) scores which are higher than the national average. School administration, logistical support, and budget preparation are best carried out by the Defense Department because the school system has been an integral part of the defense family for nearly 40 years. Defense Department retention of policy control is consistent with President Reagan's position on local control and operation of educational facilities and programs. Service personnel appreciate and expect the high quality education DoDDS provides their children. A transfer of DoDDS to the Department of Education would not result in better educational opportunities for the children of U.S. servicemembers.

In the coming year, the military retirement system will receive particular attention. The report of the Fifth QRMC will contain the results of its review of the total military compensation program, with particular attention being paid to the retirement system. Upon completion of a DOD wide review of the report, we will submit legislative proposals, as appropriate.

In early 1982, we instructed the Service Secretaries to increase the role of women in the services, to insure that women are not discriminated against in recruiting or career opportunities, and to break down aggressively any remaining barriers that prevent the fullest use of the capabilities of women in providing for our national defense.

Women are and will continue to be provided full and equal opportunity with men to pursue appropriate careers in the military services for which they can qualify. This means that military women can and should be utilized in all roles except those explicitly prohibited by combat exclusion statutes and related policy. This does not mean that the combat exclusion policy is to be used to justify closing career opportunities to women. Rather, the combat exclusion rule is to be interpreted to allow as many as possible career opportunities for women to be kept open.

Minority officers now constitute approximately 11 percent of all officers on active duty. Minority enlisted percentages remained fairly consistent at about 30 percent over the three year period since January 1981. Percentages of women on active duty showed the most significant increase. In January 1981, women comprised approximately 8.0 percent of all officers; by September 1983, that increased to 9.5 percent. During the same period, women enlisted percentages rose from 8.7 percent to 9.3 percent. The Services also have two minority four-star officers, one black and one Hispanic, bringing the total to 44 minority General/Flag officers. Nine women now hold General/Flag rank.

Last year Congress set a ceiling on the number of U.S. military personnel who can be permanently stationed ashore in European NATO countries at the end of fiscal year 1984 at 315,600 but allowed a higher ceiling of 320,000 if reports and certifications are submitted. Congress also authorized up to 2,600 additional people above the ceilings to support the Ground Launched Cruise Missile (GLCM) program. The Department fully intends to take the necessary actions to achieve the higher conditional ceiling, plus GLCM.

We recently completed an extensive review of the fiscal year 1985 requirements in European NATO countries and found that we need 326,400 U.S. military personnel permanently stationed ashore in European NATO countries at the end of fiscal year 1985. This strength is about 9,000 below our initial estimate. To better manage this issue in the future, the Commander-in-Chief, Europe has recently been appointed by the Joint Chiefs of Staff as the single person with authority to prioritize all U.S.

military strength levels in Europe. Now that General Rogers has been given the direct responsibility for reviewing all military space requirements in NATO, I am confident we will have a good grasp of this problem.

The Secretary of Defense, the Joints Chiefs of Staff, and I hope the Congress will recognize the success of our management efforts and will refrain from imposing a European strength ceiling for fiscal year 1985. We are managing this issue aggressively and will continue to ensure that the number of military people in Europe are minimized, consistent with our need to have a strong deterrent partnership with our allies. We will inform the Congress of our plans for European strength each year in the Defense Manpower Requirements Report.

With the help of the Congress the services will continue to have the manpower to meet the requirements of the Total Force Structure. Since our national policy is to maintain as small an active peacetime force as security policy, military strategy, and our overseas commitments permit, DOD continues to review the Active/Reserve force mix.

The total force structure must provide for credible deterrence across a wide spectrum of risks. To be affordable, the total force must be carefully balanced to provide the best Active/Reserve mix consistent with the needs of rapid mobilization for a global response and for sustainment of initial forces.

In keeping with the congressionally mandated creation of an Assistant Secretary of Defense for Reserve Affairs, many of the management functions related to Guard and Reserve activities have been relocated. A recently published Department of Defense Directive (Number 5124.1, dated January 12, 1984), which implements Section 136 of Title 10 of the United States Code, makes clear the cooperative nature of the responsibilities assigned to both Assistant Secretaries. In connection with its Total Force responsibilities, the Office of the Assistant Secretary of Defense (Manpower, Installations and Logistics) will continue to have an important role in ensuring that Total Force policies for personnel, readiness, sustainability, and support are developed and applied so as to achieve the maximum force capability for the resources available for all components.

The Reserve Components are key elements of the Total Force. The over one million members of the Selected Reserve represent a body of highly trained, highly skilled professionals whose sense of duty and demonstrated ability is one of the main cornerstones of our national defense posture.

Today, Reserve Components constitute 44 percent of the tactical and mobility force structure and 19 percent of auxiliary and support structure capability of the United States based on validated peacetime workloads. Reserve Component strength will increase over the next 5 years at a rate almost three times that of the Active Forces. In the event of a conflict, the individuals and units of the Guard and Reserve will deploy with the active forces. Current mission assignments demand that many units be as fully capable, and as professional, as their Active Component counterparts.

Operational integration of Reserve and Active components has been demonstrated recently in both Grenada and Lebanon. The Air Force Reserve participated in 35 missions in support of the Grenada rescue operation. In fact, a Reserve aircrew flew the first plane load of students out of Saint Georges to Charleston Air Force Base, South Carolina. In Beirut, Reserve aircrews have participated in six C-141 missions in direct support of the Marines.

Reserve Components provide a responsive surge of military strength and sustainability during national crisis. Total defense costs are reduced by maintaining significant military capabilities in a reserve status rather than maintaining all military forces on active duty. However, the proper mix of active and reserve forces is more than just a matter of cost. We must consider overseas deployments and peacetime missions for which, in many cases, part-time reserve forces are not appropriate. We must insure that there are sufficient active forces for the early stages of reinforcement to NATO or to trouble spots elsewhere in the world. But the balance of our forces should be in the reserve components.

In the past year, we have re-examined the way we make decisions about the mix of active and reserve forces. We found that force-mix policy was inadequate and that costing guidelines were unclear. Sometimes needed information about capability and cost was not always presented to decision makers in a useful way. A report on these findings and on our agenda to correct these deficiencies, was provided to the Senate Appropriations Committee and to this committee. During the review, we confirmed that there were few simple force mix decisions. Each unit decision must be addressed on its own particular merits. We also found that a decision to add or transfer units or missions to the reserve forces required long-term planning and preliminary funding.

For these reasons, the reserve force should not be made larger simply by denying increases in active military strength. The active strength is needed to man new ships, aircraft, and weapon systems. With insufficient strength to man this equipment, the services will have to underman other active forces. The active strength is needed to man new ships, aircraft and weapon systems. With insufficient strength to man this equipment, the services will have to underman other active forces and transfer missions to the reserves before the reserves are ready to accept them. All this results in loss of readiness and deterrence—something we really cannot afford.

Thus, the mix of active and reserve forces should be decided in a deliberate process in which the differences in cost and capability of the active and reserve choices are weighed so that a balance is achieved among the competing demands—a credible deterrent and a realistic, sustainable warfighting capability at least cost. The Total Force mix must flow from deliberate, long/range force planning and can only be determined through the reconciliation of needs and risks within available resources.

In 1982, the Military Manpower Task Force recognized the need to increase our mobilization manpower pool and recommended that Congress authorize longer service obligations. Also, as an interim measure, it recommended incentives to increase current IRR strengths. Congress approved the Department's request to authorize the Secretary of Defense to extend the military service obligation (MSO) from not less than six to no more than eight years and to resume IRR bonuses. The bonuses will improve the IRR inventory until the longer military service obligation eliminates the wartime manpower shortages.

The Congress also provided the President emergency authority to suspend certain laws relating to promotion, retirement, and separation. This authority, normally referred to as "stop-loss" authority, allows the President to retain on active duty personnel who might otherwise be released or retired during the emergency period.

I would like to personally thank the Congress for their support of mobilization manpower preparedness by passing the MSO extension, stop-loss authority, and reserve retired recall authority.

The extension of the military service obligation will begin to help our shortfalls in fiscal year 1990 and will ultimately enable DOD to eliminate gross mobilization manpower shortfalls. However, the only near-term way of solving these shortfalls is with the increased pretrained manpower who will be brought into and kept in the force through IRR enlistment and reenlistment bonuses.

Civilian manpower resources are another of the building blocks used to provide a cost-effective mix of resources to carry out the Department's national defense missions. The DOD civilian workforce is a large contributor to the readiness of our nation's military forces. Civilians are heavily involved in research and development, procurement and supply operations, other depot maintenance logistics support, medical care, and base operations.

Throughout this Nation's history, there has been a policy of minimizing requirements for standing armed forces by using civilians to perform missions and functions which are not specifically military in nature. There are some jobs which must be performed by military personnel, especially those needed for deployment and military rotation. However, the Department is working to identify all other jobs for conversion to the civilian work force, as long as these conversions will not hurt combat readiness and overall combat capabilities.

At the end of fiscal year 1983, the Department of Defense employed 1,064,000 civilians in support of military functions.

The distribution of civilian manpower resources among the military services and defense agencies is based on the changing mission of the different components, the differing workloads associated with those missions, and the Department's use of alternatives to the civilian work force. These alternatives include use of temporary employees and overtime, contracting workloads to the private sector, and the use of capital equipment as a substitute for more costly labor. As a result of all of these variables, the distribution of the total employment levels among the services and agencies will vary from year to year.

The majority of personnel in the DOD civilian work force are employed in functions which are essential to near-term military readiness. For example:

42 percent of the fiscal year 1983 civilian work force were employed in logistics functions.

14 percent were employed in training activities, medical care, and other associated activities directly in support of our military personnel.

9 percent worked in support of general purpose forces operations.

2 percent worked in strategic forces operations.

2 percent worked in airlift and sealift operations.

7 percent supported Guard and Reserve operations.

About 4 percent are involved with administrative or overhead functions.

While on the subject of personnel involved with administrative and overhead functions, I must mention the hardships created by that provision of the fiscal year 1984 DOD Authorization Act which assigned a 5 percent across-the-board reduction to Defense Management Headquarters.

Both the Secretary and the Deputy Secretary of Defense have made specific statements to the Congress on the negative effects of this reduction on DOD operations and organization. The General Accounting Office has found that as a percentage of total DOD end strength, management headquarters end strength had increased only one-tenth of 1 percent over a 5-year period. While overall growth of management headquarters has been held to minimal levels, DOD headquarters' workload is growing substantially. For instance, since 1980 the Office of the Secretary of Defense and the Military Departments have been asked to take action on almost 2,400 different legislative and non-legislative requirements, and we have been asked to prepare over 950 different reports to the Congress. Another portion of the management headquarters increases has been in the area of management improvements and economies and efficiencies, which require oversight and management involvement from the headquarters level to be effective throughout the Department. The management headquarters reductions have the potential for being more costly than the savings realized by the 5 percent reduction.

For fiscal year 1985, the Department is requesting 1,085,000 end strength, an increase of 7,000 over the fiscal year 1984 authorized levels. The growth will occur principally in readiness-related areas such as spares management, maintenance support, and auditing and control functions.

The fiscal year 1983 and fiscal year 1984 DOD Appropriations Acts excluded DOD industrially funded activities from civilian manpower ceilings. This has allowed the Department the opportunity to show the Congress that it can operate efficiently and economically without statutory ceiling constraints. We have prepared a report for the Congress which highlights the salutary effects of operating these industrial organizations with civilian manpower balanced against funded workloads.

The Department has placed special emphasis on improving the ways we accomplish our assigned missions and workloads. One of the important elements in achieving our national defense mission is through the use of Defense Agencies.

The Defense Agencies have been organized under authority granted to the Secretary of Defense to integrate under a single agency any supply or service activity common to more than one military department whenever the Secretary determines that it will be advantageous to the Government in terms of effectiveness, economy or efficiency. Throughout the past 25 years, the Secretary has used this authority 18 times to establish different Defense Agencies to provide effective, common support and services to the Military Departments and to eliminate duplication of effort.

The Defense Agencies are essentially civilian organizations, all with some small mix of military staffing to insure that there is always the correct perception of the needs and requirements of the Military Services. The basically civilian make-up of the Defense Agencies ensures economies of pay, longer corporate memories, and higher technical skills than is readily achieved from a military manpower pool with its frequent personnel rotations.

The Defense Agencies are crucial to DOD readiness efforts, and they provide essential support in logistics, intelligence, communications, education, mapping, auditing and other functions. All of the Defense Agencies' operations are predicated on the idea of effective, economical support to our military forces. The Defense Agencies are an intergral part of Defense Department operations, and the contributions they make to readiness and mission accomplishment are an essential part of the Nation's defense posture. I urge the Congress to permit the continuation of this efficient approach to supporting our military forces by approving our requested strength levels for the Defense Agencies.

The Department is proud of the contributions made by its civilian workforce. Civilians are an essential ingredient in the Total Force we use to defend our country.

Under current law, the Secretary of Defense has the authority to transfer, reassign, abolish or consolidate Department of Defense functions. In the past, such authority has been used to increase readiness, reduce costs, strengthen management and improve operations. Where the Secretary intends to realign statutory functions, he must report the details of the proposed actions to the Congress. The statute provides that either House of Congress may veto the proposal, and that if there is no veto, the Secretary can move ahead with his reorganization. Although the Supreme Court's decision of the *Chadha* case invalidates legislative veto devices, it did not disturb reporting requirements under which an executive department or agency must inform Congress before taking a proposed action. We strongly oppose all efforts that in any way would limit the Secretary's management flexibility in this manner. I emphasize, however, that we fully support consultation with the Congress over proposed reorganizations of statutorily-assigned functions.

While we have made great strides in rebuilding the Total Force, the rebuilding must continue.

The manpower programs of past years, as presented in the administration's previous budgets, would have put the DOD further along the road of recovery. Program and budget cuts caused balanced adjustments in total force structure; and to enhance and ensure our defense capability for the future, prior year cuts must be restored.

The successful results of our efforts to rebuild an effective Armed Forces structure are documented in great detail in the fiscal year 1985 Manpower Requirements Report. But, I do not want to imply that we have solved all of our problems; there are still a number of manpower challenges which remain.

We are confronted with force utilization questions which are not totally within our power to control. We are faced with world political changes and with an ever-increasing number of technology changes which tend to keep DOD at the drawing board searching for solutions to highly complex challenges.

Some of those challenges raise the following questions: Do we make further shifts in the manpower mix? Do we shift more missions to Reserve and Guard Units, or do we contract for more private sector support in lieu of using DOD civilians? Our force utilization questions will be with us long after the short-term needs have been filled. We must not be shortsighted, but we must be realistic in pursuing answers to these questions.

The challenge of increasing the productivity of our current labor force, both military and civilian, becomes more crticial when viewed in the light of limited budget resources. Can our people produce more if we design better weapons systems, or reduce the turbulence of relocation moves, or make their jobs more rewarding through job enrichment and job enlargement? We will continue to work to meet changing conditions.

The challenge of filling skill shortages has been with us for a long time. What can be done to reduce specific shortages in the physician, engineer, electronic and computer technician ranks? With an upturn in the domestic business economy, how do we attract qualified replacements to fill the positions vacated by those moving to the private sector? DOD will be faced with these challenges into the distant future.

To meet current challenges, and at the same time provide the basis for a sound foundation for the future, the Defense Department requests your support for:

Increases in fiscal year 1985 Active military manpower strengths of about two percent over fiscal year 1983 levels.

Increases in fiscal year 1985 Selected Reserve manpower strengths of 9.9 percent over fiscal year 1983 levels.

Increases in fiscal year 1985 Civilian manpower of 1.9 percent over fiscal year 1983 levels.

Recission of the 5 percent cut in Defense management headquarters strength.

Increases in recruiting resources.

Passage of legislation to obtain permanent authority to administer enlistment and retention bonuses, or extension of current authority.

Passage of legislation to establish a more responsive framework for managing Flag and General Officer requirements and extension of grade relief for the Navy and Air Force in the three and four star grades in the interim.

Continued support for training resources to include ammunition, fuel, repair parts, and other resources that support flying hours and steaming days.

Support for the recommendations from our review of the QRMC when they are submitted to the Congress.

Increases in construction and maintenance funding.

Passage of legislation to permanently block the transfer of the Department of Defense Dependents Schools to the Department of Education.

The extension of the delimiting date on the GI bill.

The removal of aptitude and education quality restrictions on new enlistees.

In this era of budget austerity, it is important for all of us to look for and take advantage of every opportunity to save tax dollars. But we must not follow the prophets of false economy who would have us reduce manpower costs as a fast and easy way to lower overall spending. Although we must improve our ability to evaluate carefully every proposal, review every operation, and analyze every opportunity to save and economize, we cannot overlook the fact that all our people are our most important asset and must receive our highest priority.

Providing the increases in Total Force Manpower we have requested, particularly in the active and civilian components, is vital this year. These increases are necessary to man and repair the weapon systems that Congress has authorized during the past several years. Failure to provide these increases may save some funds in the short run, but will cause manpower readiness problems in the long term. Any changes that Congress may wish to make in our manpower programs cannot be made in isolation. If you authorize a ship, then you must give us the people to man and fix that ship when it comes into the force. Conversely, if you wish to reduce our manpower in the future, you should consider reducing weapon systems now.

Senator JEPSEN. Thank you.

Again I welcome Senator Dixon to the committee as the ranking member and I will ask at this time if he has any statement he would like to make.

Senator DIXON. Thank you very much, Mr. Chairman.

I have a short opening statement. In view of the fact I came late, for which I apologize to the panel, I will insert the statement for the record.

Senator JEPSEN. The statement will be entered into the record as if read.

[The prepared statement of Senator Alan J. Dixon follows:]

PREPARED STATEMENT OF SENATOR DIXON

Mr. Chairman, I want to join you in welcoming Secretary Korb and the representatives of the military services to the subcommittee this morning.

During the past few years we have witnessed a dramatic improvement in our military manpower situation. By all of the usual indices—entrance test scores for new recruits, reenlistment rates, disciplinary indicators—the overall manpower quality of our military services is high. Secretary Korb and the representatives of the military services, as well as the Chairman and other members of this subcommittee, deserve a great deal of credit for this success.

The challenge that I see as a new member of this subcommittee will be to continue the momentum and success of the past few years in the area of military manpower. This is not going to be easy.

The level of defense spending requested by the President this year is unprecedented in our recent history. In constant dollars, the defense budget for fiscal year 1985 is the highest since the end of World War II, and is even higher than the height of the Korean War.

All of us realize that the President's defense budget is going to be reduced significantly by the Congress this year. The challenge we face on this subcommittee is to insure that whatever level of defense spending Congress ultimately adopts for fiscal year 1985 does not result in any action that could reverse the recent success we have had in manning our military forces.

Mr. Chairman, I look forward to the witnesses' testimony.

Senator JEPSEN. Senator Nunn, do you have any opening remarks?

Senator NUNN. No, Mr. Chairman. I look forward to working with you.

Senator JEPSEN. You were my leader, my mentor, and chairman. I have a hard time getting used to the position I am in today whenever you are here because you are an awesome authority on this. I appreciate it and I thank you. You have always been helpful.

Senator NUNN. We have always worked together. I enjoy serving under you, Mr. Chairman.

Senator JEPSEN. We will now proceed with the witnesses. I am advised that we will start with General Elton, the Army witness.

STATEMENT OF LT. GEN. R.M. ELTON, U.S. ARMY, DEPUTY CHIEF OF STAFF FOR PERSONNEL

General ELTON. Thank you, Mr. Chairman.

It is a privilege for me to appear before you today. If I may, I would like to briefly summarize my statement and ask that it be put into the record.

Senator JEPSEN. Your statement will be entered into the record as if read. The chairman appreciates your summarizing your statement.

General ELTON. Certainly the combat readiness of our force is our most important mission. The readiness of the Army stems from the excellence of its total family; the Secretary has appropriately designated 1984 as the year of the Army family. I believe we are a family of Army components, a family of units, and a family of people.

First, let me address our family of components. I will withhold discussion of our Reserve components.

Our fiscal year 1985 budget request supports an active end strength of 780,800 soldiers. By holding active strength steady, we will build the framework we need to modernize the Army within a force level the Congress can support.

Our civilian component continues to merit attention as the sustaining base for our Active and Reserve units. For fiscal year 1985, we are requesting a small but important strength increase directly related to readiness improvements.

To reduce personnel turbulence, permit cost savings, and achieve greater continuity, we strongly support removal of statutory civilian personnel ceilings on all civilian manpower in the fiscal year 1985 budget request.

In our family of units, we are improving unit cohesion and stability. Our new COHORT manning system now includes over 50 companies and batteries on the ground, who have experienced a degree of stability over three times as great as their sister, non-COHORT units, during their 3-year life cycle.

In addition, emerging reenlistment projections far exceed our expectations.

At the core of the Army family is a family of people—soldiers and Army civilians and the members of their families. An Army of excellence requires us to man the force with qualified soldiers, who are trainable, motivated, talented, and proud of their profession.

Therefore, we are in pursuit of quality young men and women, capable of maintaining and operating our modernized equipment and executing new tactics and doctrine of the air-land battlefield.

Our research tells us that high school graduates who score well on our aptitude test battery fit that description. We want to retain the very best of these to become our noncommissioned officers of the future.

With superb support from the Congress, we have been recruiting growing numbers of just this kind of young men and women, and you have observed their superb level of performance during the recent Grenada operations.

We have made considerable progress since 1980 in approaching our quality goals, and the level of support we are requesting for fiscal year 1985 supports continued momentum.

However, with all the success we had in 1983, I would be remiss if I did not inform you that there are signs of a downturn. Our leading indicator of quality is the number of recruiting contracts written for male high school graduates in the top three aptitude categories. These are down from last year at this time. We face a stiff challenge in 1984 achieving the quality levels we seek.

Regarding our women soldiers, the direct combat probability coding policy, formulated in 1983, sets the Army in parallel at last with the intent of Congress and the Nation.

Our intent is to provide women with the maximum opportunity to succeed along clear paths to the highest commissioned, warrant, and noncommissioned officer ranks.

In the crucial area of retention, early in 1984 we finally eliminated our longstanding shortage of noncommissioned officers. You should be proud of that achievement, possible only through your unwavering support.

Our job now is to correctly align the force—to eliminate shortages in hard-to-fill skills like armor and electronic warfare—and reduce the number of soldiers in overstrength areas.

Experience shows us that selective reenlistment bonuses are absolutely vital to convincing the best soldiers to reenlist in the career fields where we are understrength, and we request your full support for them.

As for overstrength career fields, the Army is conducting a comprehensive reclassification program in 1984 to induce nearly 5,000 soldiers to move out of overage fields and into shortage skills.

In our family of people, we must also consider the families of our soldiers and Army civilians. We believe if there is a conflict between duty and the family, or dissatisfaction with the Army environment, the Army will lose. We may recruit soldiers, but we retain families.

To account for this, we have drawn our family-related initiatives together in the Army Family Action Plan, published in January.

The plan is based on issues articulated clearly by our family members and commits us to action. Our goal is to institutionalize the Army's family-oriented policies to strengthen our retention—and therefore our readiness—throughout the total Army.

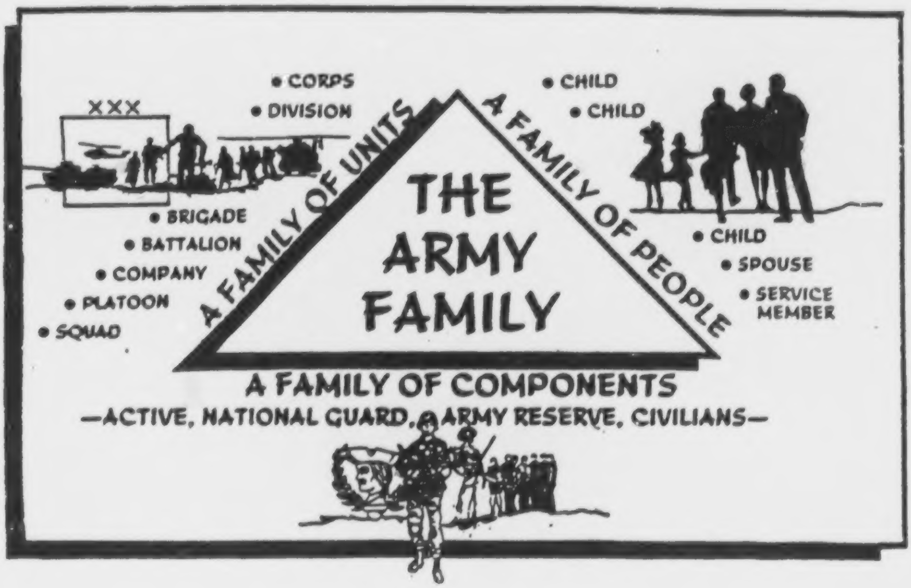
The resources requested for fiscal year 1985 total nearly $1.5 billion.

For fiscal 1985, then, we request and look forward to a continuation of your vital assistance and support. For my part, I pledge my utmost efforts in manning an Army which responds to the will of our Nation and of which we can all be proud.

Thank you, Mr. Chairman.

[The prepared statement of General Elton follows:]

Prepared Statement by Lt. Gen. Robert M. Elton, Deputy Chief of Staff for Personnel, U.S. Army


XXX
• CORPS
• DIVISION
• BRIGADE
• BATTALION
• COMPANY
• PLATOON
• SQUAD
A FAMILY OF UNITS
THE ARMY FAMILY
A FAMILY OF PEOPLE
• CHILD
• CHILD
• CHILD
• SPOUSE
• SERVICE MEMBER
A FAMILY OF COMPONENTS
—ACTIVE, NATIONAL GUARD, ARMY RESERVE, CIVILIANS—

1984 — YEAR OF THE ARMY FAMILY

Each year the Army develops a cohesive theme for progress -- a theme that expands achievements derived from the previous year's theme. In 1983, the theme was "An Army of Excellence," men and women, trained, disciplined and motivated to perform whatever their nation asks. In 1984 we have expanded the development of that theme to move from individual excellence to total unit excellence.

We firmly believe that Army Readiness is derived from the excellence of its total family. We are a family in three ways. The components of the Total Army -- Active, Reserve, and Civilians -- comprise our family of components. Another family is made up of our units, from the squad to the corps — a family of units. Finally, each of us is a member of a natural family ... soldiers, Army civilians, retired soldiers and all of their family members -- a family of people are working tirelessly to achieve excellence in readiness by creating an environment of leading and caring for our interlinked Army Family. We are moving on several fronts to give substance to this concept

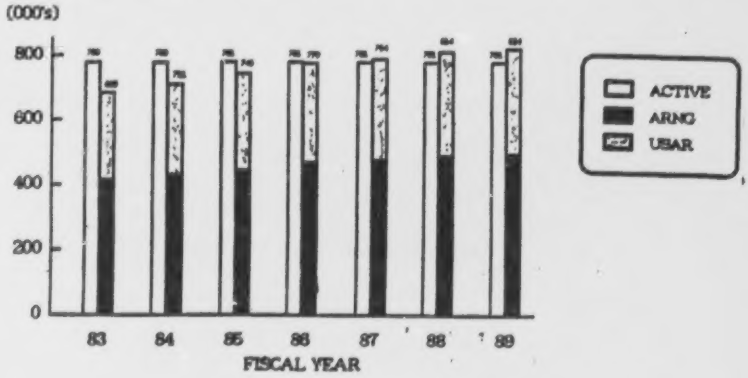
A FAMILY OF COMPONENTS

As you know from the testimony of the Secretary of the Army and the Chief of Staff, Active Component end strength for FY 85 has been held level at about 780,800 through FY 89. Rather than continue to press for structure increases as in previous requests, we intend to improve the quality and capability of a more responsive Army and to plan and budget for an Active Component which both the Congress and the Army can fully support.

On the other hand, although the end strength of the Active Component is level, we intend to meet landpower requirements with expansion in the Reserve Components: the Army National Guard and the U.S. Army Reserve. As Chart 1 reflects, the FY 85 Budget asks your support for programmed growth in Reserve Component strength, which will cause it to pass the Active Component in size by 1987.

TOTAL ARMY END STRENGTH

CHART 1



The civilian component, nearly one-fifth of the Total Army, is our landpower sustainment base. Army civilians are responsible for essential tasks ranging from operating bases to research and development, to procurement, medicine, maintenance, supply, training, and communications. Our civilian component is also flexible, and can adjust quickly to new mission and readiness needs.

The need for advanced technical and professional skills in these key areas is widening. Our request in FY 85 for an increase of 1,837 supports force modernization and restructuring, a reduction of training course backlogs, and the civilian substitution program, which is particularly important as we keep Active Army end strength leveled.

In FY 83 and 84, Congress lifted the civilian personnel ceiling on industrially-funded activities to determine whether civilian end strength controls are necessary. In a report submitted by the Office of the Secretary of Defense on 1 March 84, the services determined that the ceilings' removal reduced personnel turbulence, allowed cost savings due to fewer personnel actions, and provided greater continuity from one fiscal year to the next. As a result, we strongly support permanent elimination of the civilian personnel ceiling on the Industrial Funds of the services and a removal of statutory civilian personnel ceilings on all civilian manpower requested in the FY 85 budget request.

The Army is continuing its oversight and management of civilian high grade resources, ensuring effective distribution and utilization to support our research, development, testing, and acquisition efforts; our readiness and force modernization objectives; and improved resource management initiatives. In consonance with your guidance, provided with the repeal of the statutory civilian high grade reduction requirements, we have intensified our position management efforts. We have also increased our oversight and review of position management and classification accuracy by strengthening policies in these areas. We believe we have done an effective job. We have good position management, controlled average/high grade growth, and a classification accuracy rate which exceeds Federal averages.

To foster the sense of family among our components, we consider the Total Army whenever addressing our plans and programs. We have amplified the cooperation among our uniformed components, as shown by the close working relationship between our active divisions and their round-out brigades, affiliated, and partnership units from the Reserve Component. In FY 84 we designed Total Army officer and enlisted accessions plans. In addition, we are making progress including Army civilians as full members of the Total Army ~~... from~~ searching out better ways to train, educate, and manage each civilian functional career field to more completely educating and preparing general officers and senior executive service civilians for greater unity of effort.

A FAMILY OF UNITS

For some time, we have been concerned about inordinate personnel turbulence driven by overseas personnel requirements.

The Army's New Manning System improves cohesion and stability -- the sense of family among our units. This is not an easy program, because it requires modification of an individual replacement system that has been our way of life since WWII. But it is a necessary program.

The system has two parts: the COHORT (Cohesion, Operational Readiness, and Training) Unit Movement System, which bonds units together through their training and assignments...and the Regimental System, in which combat arms soldiers affiliate with a specific regiment throughout their careers, with repetitive assignments within their regiment in the U.S. and overseas.

We have been very deliberate in gearing up COHORT, which currently includes only combat arms units. By the end of FY 83, 52 COHORT-trained infantry or armor companies, or artillery batteries, had been formed and ten had deployed overseas. Our plan is for 24 more in FY 84. These companies and batteries are being evaluated as we proceed. As we formed, trained, assigned and replaced units overseas at the company level, we have gained two important insights. First, COHORT units are ~~substantially stable and show evidence of~~ good horizontal bonding. Second, we believe that battalion-sized COHORT units (vice company-size) may be more manageable Army-wide. As a result, we are looking closely at shifting from COHORT company replacement to COHORT battalion rotation.

In addition, we have some early statistics from the first COHORT companies to approach the end of their 3-year life cycles. These give us an idea of how the COHORT approach works to reduce personnel turbulence.

For seven COHORT units in the United States, about 75% of the soldiers originally assigned were still with their units 15 months later, as compared to some 20% in similar non-COHORT units. In Europe, we learned that 90% of soldiers remained in the seven COHORT units after 11-17 months, while the figure for seven non-COHORT units in Europe was about 20% for 18 months. These percentages are based on a relatively small number of units, but they demonstrate progress in reducing turbulence.

The Regimental System will be the family for our units and their soldiers. With it, we have narrowed the scope of assignment for combat arms soldiers. Regimental soldiers affiliate with a specific regiment throughout their careers. When they serve at battalion-level, they serve with a unit of their regiment, either in the US or overseas.

The Regimental System calls for the Army to initially implement 64 regiments. That process is underway. Eleven combat arms regiments are in being now: six Infantry, two Armor, and three Field Artillery, and more than 25,000 soldiers have regimental affiliations. We are thoroughly evaluating the results of this affiliation. We firmly believe this program will enhance the fighting capability of a fully modernized Army that is no longer hollow.

In the Reserve Component family of units, we recognize the importance of full-time support to the readiness of our Guard and Reserve units. We know from our 1983 study of full-time support, more personnel are needed to work full-time as our Reserve units assume a greater role. The budget request before you for FY 85 envisions an increase in the Active Guard/Reserve (AGR) force of about 16,000 above the FY 84 level. We are also preparing legislation, recommended by the Congress, to move our Army Reserve Military Technician force from competitive civil service status to excepted status. We believe that more full-time manpower and this legislative action will go hand-in-hand to provide for a capable, combat-ready Reserve Component force.

We are also increasing the number of pre-trained individual reservists available for mobilization. These fill spaces in both Active and Reserve units after mobilization. Our largest resource, the Individual Ready Reserve, will grow in large part due to the longer service obligation granted by Congress last year. In keeping with the longer term of service, we are providing refresher training to IRR members with critical skills so they will be prepared to contribute effectively if mobilized.

A FAMILY OF PEOPLE

People are the Army. They're the essential elements of our family of units and our family of components. In discussing our family of people I will note the results of our efforts in FY 83 to man the Army as well as the plans which the President's Budget supports for FY 85. Programs to improve the performance of the soldier and Army civilian also improve that of the unit and that of the component. For example, progress in reducing the incidence of drug and alcohol abuse is good for our people. At the same time, it also upgrades the readiness of their units...and the components of which they are a part.

RECRUITING

The Army believes with absolute conviction that quality soldiers are the bedrock of a powerful Army...one which is effective both in combat capability and cost. We equate quality to mentally, physically, and morally competent young men and women who are capable of executing the tactics and doctrine of the Airland battle with modernized equipment. It is no longer enough to recruit simply the appropriate numbers of young men and women.

Our recruiting approach is based on a thoroughly conceived philosophy which weighs the full spectrum of a volunteer's capabilities. We look at the prospective recruit's moral background , medical status through both a physical exam (which includes height and weight standards), actual physical strength capacity with a new test, as well as mental aptitude for service.

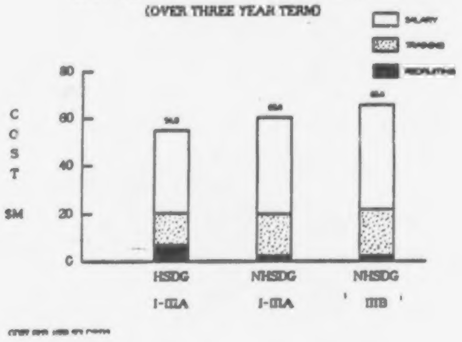
Our new gender-free test to determine actual physical strength is called the Military Entrance Physical Strength Capacity Test. It is designed to ensure potential soldiers are not placed in skill areas where strength requirements exceed individual capabilities.

Regarding mental capability, we use two key measures of quality: possession of a high-school diploma and achievement on the Armed Services Vocational Aptitude Battery (ASVAB).

The first — possession of a high school diploma -- is a predictor of a recruit's stick-to-itiveness. Surveys by the Army Research Institute show that nearly three out of four male high school graduates stay to the end of their enlistments, while only about one in two non-grads meet this milestone. Chart 2 shows the magnitude of savings in $M (considering recruiting, training, and salary costs) in achieving a force of 1000 Stinger air defense gunners at the end of three years.

COST COMPARISON-STINGER GUNNERS
(OVER THREE YEAR TERM)

CHART 2



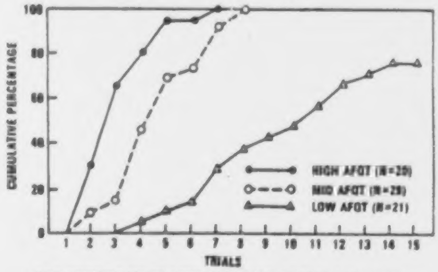
As for Armed Forces Qualification Test scores (derived from the ASVAB), our data in every measure of performance clearly show that higher test category young men and women become more effective soldiers. These young men and women train to proficiency more quickly, retain their skills more effectively, and contribute more to the overall cohesion of their units by not becoming disciplinary problems.

For instance, in an evaluation of the training of air defense missile gunners (Chart 3), we found soldiers in the upper and middle AFQT categories took about half the training time and half as many trials as the soldiers in the low category. In fact, some soldiers in the low category never did succeed.

CHART 3

LOW APTITUDE PERSONNEL REQUIRE AT LEAST DOUBLE TRAINING TIME AND HELP

MISSILE TASK: CUMULATIVE PERCENTAGE OF SUBJECTS REACHING CRITERION PER TRIAL



FOR MISSILE TASK LOW APTITUDE GROUP REQUIRED:

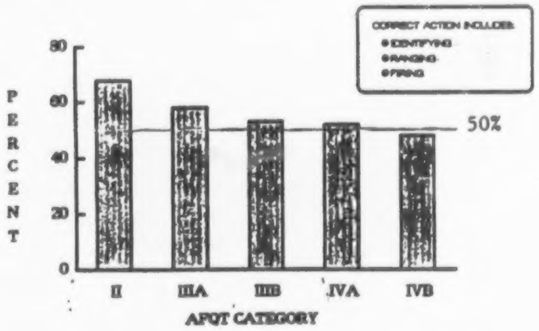
- THREE TIMES MORE PROMPTS THAN MID-APTITUDE GROUP
- TWICE AS MANY TRIALS
- OVER TWICE THE TIME

Now, if what we know about attrition and what we know about the costs of keeping a soldier for three years are combined, we can be more specific. The cost comparison between AFQT category I-IIIA grads and non-grads over a three-year period shows non-grads become more expensive at about the 18-month point because of their higher attrition rates.

Important as cost savings may be, there's more to it than that. Intuitively, we know — and are collecting data to show — smart soldiers are more effective. We see it this way. System performance is driven by two functions — the performance capability of the hardware and the performance of the soldier. Typically, our hardware is designed with a success rate of about 90%. Soldiers from different AFQT categories have a significant spread of performance capabilities; those in the higher AFQT categories are markedly ahead. For instance, our research found that air defense gunners in the top three AFQT categories had a success rate of about 67%, compared to the 48% rate of those in AFQT category IV (Chart 4). Therefore, given the already high equipment performance, the most effective way to increase total system performance is to raise the quality of the soldier.

AIR DEFENSE GUNNER PERFORMANCE

CHART 4



Now, the question is: how well have we been leveraging up the effectiveness of our key systems through accession of quality performers? Chart 5 shows our progress since FY80, our low point in recent years. The left column shows the different Test Categories.

Next is a breakdown of the nation's youth population according to a 1980 DOD survey. The columns under DOD show the percentage of recruits entering all the services in FY81 and 82. Next, we track the Army's recruiting performance through FY 83; and then for comparison, show how our sister services did. The circled numbers show we have improved from 26% AFQT Cat I-IIIAs in FY80 to 61% in FY83. We also improved the percentage of high school grads entering the Army from just 54% in FY80 to 88% last year.

ACCESSIONS BY AFQT CATEGORY
(Percent)

NON-PRIOR SERVICE RECRUITS

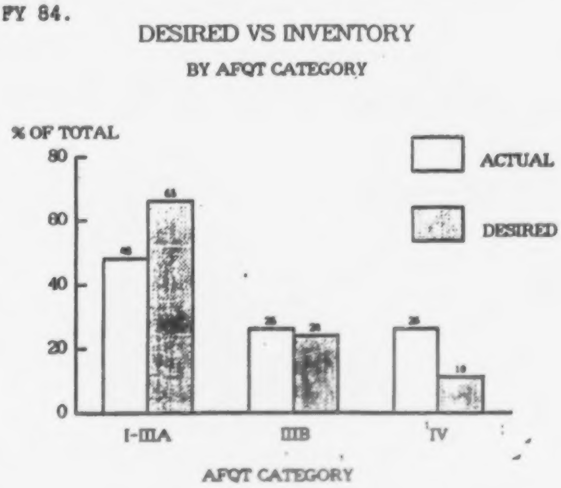
CHART 5

AFQT	YOUTH	DOD		ARMY					USMC	USN	USAF
CAT	POP 1980	81	82	80	81	82	83	84*	84*	84*	84*
I-IIIA	53	55	61	㉖	40	53	(61)	66	65	73	75**
IIIB	16	27	26	22	29	28	27	23	35	22	24**
IV	24	18	13	(52)	31	19	⑫	11	0.3	5	1
HSDG	74	91		54	80	86	88	89	98	96	98

* As of 27 Feb 84 ** Estimated Breakout of Cat III (AF only)

In 1983, we asked our functional proponents, the Commandants of our Training and Doctrine Command schools, to determine the range of mental quality their branches require -- to enable our soldiers to operate and maintain our modernized systems and meet the demands of the AirLand battlefield. We have averaged their responses and compared them to our inventory on Chart 6. Though the methodology is a little crude, it is the best judgment from our commanders of "how much is enough," and forms the basis for our goals in FY 84.

CHART 6



We also know that we will be able to achieve them only with your continued superb support, with a high quality recruiting force, and consistent, timely resources properly applied with a dynamic strategy.

The Army Reserve and the Army National Guard are integral to The Army Family, too. Their growing importance in the nation's landpower equation is clear: Reserve Component units make up almost a quarter of the Army's rapid reaction forces earmarked for the US Central Command. Reserve Component recruiting gains paralleled those of the Active Component in FY83.

However, though 1983 recruiting achievement was the best of any year since the end of the draft for all Army components, we must heed warning signals. There are clear signs of a downturn and we are concerned about them. Our nation's economy continues to mend, the unemployment rate continues to drop, and young Americans have other options. We have seen a DOD-wide drop in contracts written, Vocational

Aptitude Battery Tests given, and medical exams administered. Most important, the trend is downward in our key measure...upper test category male high school graduate contracts.

Unfortunately, these troubling signs stand in relief against a steadily declining youth population in the United States, a decline which shows no sign of abatement before the year 2000. The youth market — including its quality segment — will shrink some 15% by then and can only intensify the competition for America's quality youth.

In the business of manning the Army, we are encouraged by the 1983 Ohio State National Longitudinal Survey, which shows the Army has risen to second choice among young people at large. But, as you have seen, we have yet to catch up to our sister services in terms of quality.

We intend to strive to meet the goals our commanders have set. Your full support for recruiting resources, enlistment bonuses, and the Army College Fund for FY85 will play a significant part in helping to achieve success.

In addition, with the Army employing almost a half-million civilians, we must also concentrate on their quality and well-being. Our Army civilians provide the long-term continuity wherever the Army operates. We must be able to recruit and retain highly qualified civilians to assure this sustaining component of the Army Family does not become its weakest link.

WOMEN IN THE ARMY

In 1977, the clear intent of Congress was to preclude women from serving on combatant ships and aircraft in the Air Force and Navy. The Army's Combat Exclusion Policy was our attempt to carry out this intent and was a good start. But we found out from our women soldiers, our commanders, and from the American people it wasn't good enough. We are now two iterations smarter and are much closer to a workable policy.

In April last year, we began validating our Direct Combat Probability Coding. We inspected each and every job in 2,008 Army organizations to determine which positions were routinely exposed to direct combat. We found that these units and specialties were all located ahead of the combat brigade's rear boundary....an area corresponding to the combatant ship or aircraft statutes in use by our sister services.

The approved validation added 12 previously closed specialties for enlisted women. In line with the Army's goal to provide women with the maximum opportunity to succeed, 96% of commissioned officer specialties, 97% of warrant career fields, and 86% of enlisted specialties are open to women...and our Training and Doctrine Command branch Commandants, our functional area experts, are developing career patterns to provide clear paths for our women soldiers to progress through the grades to general officer, chief warrant officer four, and sergeant major.

RE-ENLISTMENT

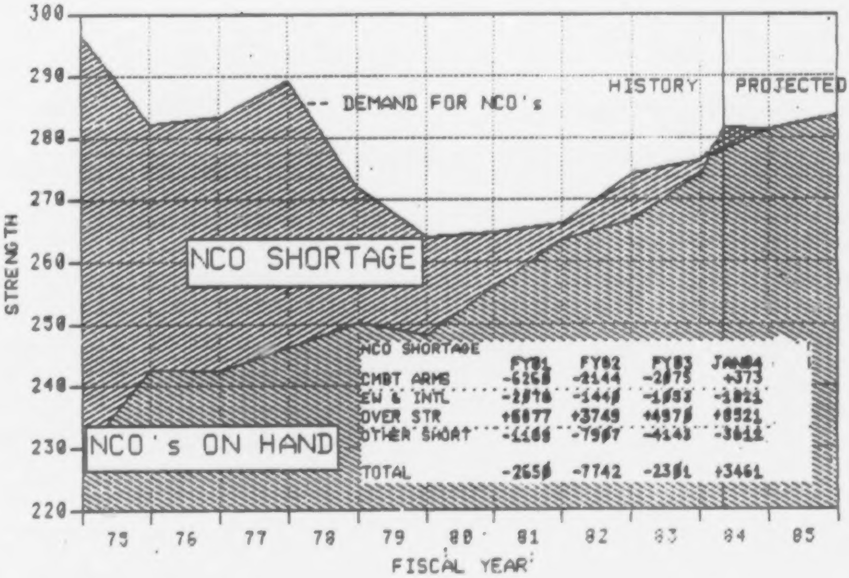
The Army also has a clear-cut philosophy for retention which mirrors that of accessions. Commanders in the field evaluate the mental, moral, medical, and physical capabilities of the soldier concerned. Every candidate for re-enlistment has established a track record of job performance during his or her enlistment and that is considered as well.

In FY83, the Total Army closely approached its quantitative reenlistment objectives. As General Wickham testified earlier, both the Active and Reserve Components met more than 95% of their objectives.

As a result, we have reduced the shortage of non-commissioned officers in the active force. In December 1983, the gap between authorizations and NCOs on-hand disappeared (Chart 7). But, while total numbers have been brought in balance, we still need to properly align our force. Although Infantry and Field Artillery were up to strength, shortages in other key career fields like Armor, Military Intelligence, and electronic warfare persist.

TOP 5 ENLISTED STRENGTH
E-5 TO E-9

CHART 7



NCO SHORTAGE

	FY81	FY82	FY83	JAN84
CMBT ARMS	-6260	-2144	-2075	+373
EW & INTL	-2078	-1440	-1053	-1821
OVER STR	+6877	+3749	+4970	+8521
OTHER SHORT	-1189	-7907	-4143	-3612
TOTAL	-2650	-7742	-2301	+3461

To help complete the job of aligning the force, we are continuing reclassification efforts this year to reduce or eliminate gaps in our shortage career fields and cut back the skill areas where we are overstrength. Our target is to have just under 5,000 soldiers volunteer to move into shortage fields. To this end, we are sending individual letters to 15,000 soldiers in 12 overstrength career fields. These letters will point out the benefits of reclassification, both to the Army and the soldier. Our goal is to retain the top performers in the NCO corps and put them in the needed skills.

In addition, with criteria established again by our TRADOC School Commandants, we have begun a program to ensure each soldier is physically qualified for duty in his or her skill under any conditions worldwide. We call the program Soldier Deployability. With it we have provided our field commanders a tool for fast and succinct resolution of physical disability problems as they occur. The result is to verify soldiers' deployability, to reclassify them into a field where they are deployable, or refer them to the physical disability system for separation from the service with appropriate compensation if they are physically incapable.

In the next few years, the quality of our population for first-term re-enlistment takes a dramatic shift, based on our past few years of good recruiting.

The primary pool of soldiers eligible for their first re-enlistment was recruited three years ago in FY 80. At that time, we accessed about 158,000 new soldiers (compared to 133,000 last year). Of those entering in FY 80, only 26% were in the top half of AFQT categories...compared to 61% of FY 83 recruits.

In addition, a higher percentage of eligible, high-quality soldiers appear to be much more sensitive to the influences of pay comparability, Selective Re-enlistment bonuses, and the unemployment rate than do lower-scoring soldiers. As a result, those in the upper categories leave the Army at the end of their enlistments and a proportionately greater percentage of lower-scoring soldiers stay.

In 1983, we had a very large number in the re-enlistment pool, with a high propensity to stay. But, in FY 85, the situation will be reversed. The pool of first-term eligibles will be smaller (although of higher quality), and the propensity to re-enlist will be lower. Our challenge will be to retain enough soldiers to meet the needs of the career force.

We have initiatives underway to insure the quality of our non-commissioned officers matches that of the soldiers they lead.

We are have redirected the primary focus of the Army Continuing Education System to improve the capability and skills of those already in the force, and continue to believe in the effectiveness of the Selective Re-enlistment Bonus as a key factor in quality retention.

The growth in our FY85 SRB request stems from the difficulty we have in re-enlisting our higher quality soldiers. This is particularly true for the arduous combat arms skills and the high-tech and intelligence fields which have immediate and profitable civilian sector application. The low percentage of quality available in the FY83 pool (30%) was the chief reason SRB resources were not fully used last year. Chart 8 shows the dramatic impact of the SRB on the retention rates of infantry and artillery NCOs.

EFFECT OF SELECTIVE REENLISTMENT BONUS
(SOLDIERS BETWEEN 21 MOS AND 6 YRS OF SERVICE)

CHART 8

SKILL	TIME	BONUS LEVEL	RETENTION RATE
TOW GUNNER 11H	OCT 82 - SEP 83	NONE	38.5%
	OCT 83 - NOV 83	NONE	42.4%
	DEC 83	2	61.3%
ARTILLERY FIRE DIRECTION 13E	JUN 82 - SEP 82	NONE	29.1%
	OCT 82 - FEB 83	1	76.1%
	MAR 83 - SEP 83	NONE	42.7%

We are also designing a performance-based management program to retain soldiers in specific high-tech skills for a longer period. Our concept will allow us to respond to the changing character of the accession and retention pools, the growing requirements for technicians in our middle grades, and the need for more formal leadership development. The evaluation phase of this concept should provide data by FY 87 leading towards a decision to alter our Enlisted Personnel Management System.

THE ARMY FAMILY PROGRAM

The Army may recruit soldiers...but it retains families. We believe if there is a conflict between a soldier's job and a soldier's family caused by dissatisfaction with the environment, chances are the Army will lose. For instance, in research just completed of 1,036 Army families in Europe, two out of three enlisted soldiers E4 and below and their spouses reported their families were committed to the mission and lifestyle of the Army. But in case of a conflict between the Army and the family, only one of four soldiers and their spouses said the Army comes first.

In overdue recognition of this simple fact of life, we have adopted a Philosophy for the Army Family describing the partnership between the Army and its nearly 400,000 families. As reported to you by General Wickham, the Army Family Action Plan was published on 8 January 1984. This plan has melded the many issues identified by Army family members in three Family Symposia held here in the Washington area as well as in our Family Action Planning Conference held last July.

The resulting 65 issues fall in four major categories: education and youth, family support, medical, and relocation. In addressing these, we isolated two sub-categories: low-cost/high payoff, and high-cost/high payoff.

In most of the low-cost issues, we found improvements could be made by re-thinking and revising procedures within the Army. For example, representatives to the National Symposia told us we needed to improve family member representation on policy councils at Army posts. We are doing that now, at virtually no cost. Also suggested were improvements in the way our families were sponsored during permanent changes of station, and with the help of our major commands we are currently improving our sponsorship procedures.

Other initiatives with low cost but significant payoff were the authorizations -- supported by the Congress -- to provide space-required travel for student family members of soldiers overseas and the continuing initiative for family member dental care on a space available basis. Also, our new employment assistance programs should help working family members continue their Federal civilian careers even as they relocate with their Army sponsors.

In high-cost/high return areas, we believe with your continued support our plans for housing, improved child care centers, medical staff and facilities, post exchanges, commissaries, and family advocacy programs will go far toward cementing the Army-Family relationship. Incidentaly, in the Europe survey, we found as many soldiers would extend their tours there for a paid trip back to CONUS and leave, as would extend for a $3,000 annual supplement. Our Family Action Plan is visible commitment to providing adequate support for soldiers and their families. We have provided each of you a copy.

Emphasis on the Army Family extends to the Reserve Components as well. We have just published the Family Assistance Handbook for Mobilization, a guide for Reserve Component family members in the event of war. It should go far to ease that transition. We have printed copies enough for all Reserve Component families and are distributing them now.

The scope of our needs is clear when we consider that just the Active Component includes more than a million family members. We intend to institutionalize our family-oriented policies as quickly as we can to strengthen readiness and retention throughout the Total Army.

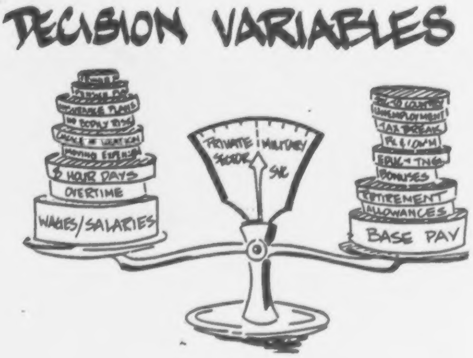
COMPENSATION

Since 1972, volunteer armed forces have been the foundation for our national military strategy. The Army is the cornerstone of that foundation. As goes the Army so will go the success of the volunteer force...and ultimately, the success of the national military strategy.

In the quality market, where we must compete with both the private sector and the attraction of higher education, the total compensation package is a prime influence for high-potential young men and women considering the service, and for high-performing soldiers making re-enlistment decisions.

Therefore, from the recruitment and retention perspectives, the military's total compensation package must compare favorably with private sector wages (Chart 9).

CHART 9


DECISION VARIABLES
NO BODILY RISK
MOVING EXPENSES
8 HOUR DAYS
OVERTIME
WAGES/SALARIES
PRIVATE SECTOR
MILITARY
SVC
UNEMPLOYMENT
TAX BREAK
PX & COMM
EDUC + TNG
BONUSES
RETIREMENT
ALLOWANCES
BASE PAY

The elements of the package, as I see it, are first the tangible ones...basic pay and allowances, enlistment and re-enlistment bonuses, education benefits, and the retirement system. Intangible, but no less influential, are medical care, child care and family support, the commissary and post exchange privileges, government housing, and recreation facilities.

Total compensation, specifically the tangibles, has only one purpose: to attract, properly distribute, and retain the correct number of qualified soldiers needed to man our nation's land forces...to put the right soldier with the right qualifications and the right training and the right experience in the right job.

Military compensation, then, must be evaluated according to that purpose. In today's circumstances, the composition of the Army will depend on the interaction of compensation elements with the forces of the free marketplace. As the rewards of the private sector diminished during recession, our recruiting and retention efforts bore correspondingly more fruit. However, as the economy improves, our search for quality becomes increasingly difficult. Second, as the numbers of young men and women from 17 to 21 decrease, competition for quality will be even more fierce.

In any case, compensation is a tool for shaping the highly trained Army the nation requires. That approach leads us to measure compensation alternatives according to their expected effect on the force.

Since 1981, the Army has tried to project manpower costs by first describing the desired force (in terms of demographics, education, AFQT category, and required skills) and then by deriving the compensation package needed to achieve it. The total compensation package we believe necessary for the Army has these characteristics:

- Comparable with private sector wage growth.

We know from bitter experience in the late seventies that when military pay clearly lags behind the private sector, the hemorrhage of professionals is acute. There is no way we wish to repeat that jarring experience.

Reserve Component compensation must keep pace with private sector wage growth as well. The four percent pay increase last year was a boost to our effort to retain quality Guard and Reserve soldiers. Initial reaction from our reserve forces to the commissary test program has been favorable, and we look forward to a completed, valid test, with eventual change to criteria which would allow reservists to use the commissary system.

- Leveraged toward recruiting quality youth into demanding career fields.

In recruiting, we know there is no substitute for careful market research, effective advertising, and quality recruiters...all serve to bring adequate numbers of quality youth into the service. But to influence quality towards hard-to-fill areas like the combat arms, enlistment bonuses are absolutely essential. With these, we have been able to substantially improve quality entering the combat arms since 1980. Moreover, because bonus recipients — that is, high school graduates — show much lower attrition rates than their non-bonus counterparts, we have avoided costs on the average of $9.3M per year for the last three years in recruiting, training, and salary — even considering the cost of bonuses awarded.

- Leveraged toward retaining the best soldiers in the arduous combat arms and high-tech skills.

As I have explained earlier, many factors apply in the business of keeping the good soldiers we have. But, to re-enlist sufficient numbers of quality soldiers in the tough combat arms and in highly-marketable fields we have the experience to show that re-enlistment bonuses are an absolute necessity. Therefore, we are requesting a reprogramming of funds from other sources in FY84 to plus up the amount authorized by Congress, as well as to fund re-enlistment bonuses for members of the

Individual Ready Reserve -- an important step in building up pre-trained manpower. We believe your strong support for our FY85 budget request in both these areas is vital.

- Advantageous enough to counterbalance the propensity of quality youth to enlist in other services.

As to the reason the Army package must be competitive, the quality market leans toward other services. To compete for quality, the Army needs an equalizer...and to date the equalizer has been the Army College Fund. We are convinced of the effectiveness of that program for two reasons. First, our market research clearly shows that quality youth consider money for college a key factor in their enlistment decisions. And second, it has worked! Since it began, the Army College Fund has moved us closer to parity with the other services in quality accessions! In 1983, 44,000 signed up for the Army College Fund, almost one-third of our accessions.

Our other educational benefit, the Vietnam Era GI Bill, is due to expire in 1989. If this date is not extended, we expect significant numbers of career soldiers to leave the Army to use earned benefits. If this happens, we will be forced to regrow a good percentage of our NCO corps...with the years and costs that entails.

- Unequaled by civilian sector pension benefits, with realistic travel and transportation entitlements.

Last, and perhaps most controversial, is the need for military retirement to be fully supportive of readiness and defense requirements. You are well aware of the demands of service life: the military factors of death or injury in combat, repeated dislocation and changes of station, unaccompanied tours, the requirement to be "on duty" 24 hours a day. These factors have few counterparts in the private sector. Soldiers know this. Our latest survey of reasons soldiers re-enlist shows the military retirement system almost doubled in importance for soldiers re-enlisting for the first time and is now the number three reason they stay in the Army. For career soldiers, retirement continues to be the top reason to re-enlist.

Despite these findings, the Army believes the retirement system deserves equal evaluation with the other elements of the total compensation package. The true measure of the retirement system is how well it serves to attract and keep quality soldiers and we believe any changes must be carefully analyzed to find their effect on the force. That is why we strongly recommend a thorough examination of possible effects when considering change.

Throughout this statement, the benefits of our research in manpower, personnel, training, and human factors have been apparent. Our soldier-oriented research has been key to the insights which allow us to better understand our business. Of the money spent on our soldiers, research accounts for less than one percent, but it's my view that the rewards are considerably greater. The dollars provided for soldier-oriented research are critically needed if we are to base our recruiting, retention, family support, and civilian efforts on the best information and analysis possible.

Last year, the Army's theme was EXCELLENCE, and the growing excellence among the members of your Army is clear. As we work together through the YEAR OF THE ARMY FAMILY, we require your continued strong support toward building landpower forces the nation needs. With your help, we can look forward to reaching our Human Goal — a Total Army of military and civilian professionals who loyally serve the nation in rewarding careers. Army service is a way of life with a committment to excellence, not just a job. Our success, possible only with your support, will make the difference between the Army of our nation and those of our potential adversaries: PEOPLE are our most important resource.

Senator **Jepsen**. Thank you.

We will now hear from Vice Adm. William Lawrence, Deputy Chief of Naval Operations for Manpower, Personnel, and Training.

STATEMENT OF VICE ADM. WILLIAM D. LAWRENCE, U.S. NAVY, DEPUTY CHIEF OF NAVAL OPERATIONS FOR MANPOWER, PERSONNEL, AND TRAINING

Admiral **Lawrence**. Thank you very much, Mr. Chairman.

I appreciate the opportunity to testify on the status of Navy manpower programs and plans for the future.

I will give a brief summary of my statement and introduce my statement for the record.

Thanks to the fine support of the Congress, we are well on our way to achieving a 600-ship Navy and our plan for manning the ships and aircraft is on course.

Personnel readiness of ships and squadrons continues to improve. Successful recruiting and retention form the basis of our plan to man our expanding fleet.

The petty officer shortage is declining to manageable proportions.

The experience level of enlisted personnel has increased markedly in the last 3 years.

Our challenge for the future is to efficiently man the expanding Navy in an increasingly competitive recruiting and retention environment.

Therefore, it is important that we maintain the intensity of our recruiting efforts and preserve those resources we have allocated to this important endeavor. We must maintain overall retention while improving retention levels in certain critical officer and enlisted specialties.

We feel a competitive compensation and benefit package is absolutely vital to the success of recruiting and retention.

Complementing our plan to increase manpower, we are taking several important initiatives to better utilize the existing force, like expanding the roles and missions of our fine Reserves while maintaining personnel readiness levels necessary to execute a forward deployed maritime strategy in peacetime, by taking full advantage of the capabilities of women within existing legal constraints and by optimizing the use of our civilian Federal employees and private sector contract personnel.

These initiatives alone, however, cannot provide sufficient manpower resources to meet expanding fleet requirements. We must have increased end strength as requested in this year's budget, predominantly to man new ships, aircraft, and critical fleet support activities ashore.

While our number of ships grows by 3.8 percent, our requested end strength increases only 1.9 percent. I cannot stress too strongly the need for these additional personnel.

The fiscal 1985 budget is part of a carefully thought out plan for achieving the maximum degree of personnel readiness within available resources.

The program is sized to meet today's requirements while building toward our 600-ship Navy.

In summary, I would like to make the following key points:

Significant improvements have been made in our personnel posture over the last 3 years and we must maintain this important momentum.

The recruiting and retention environment in which we achieved these improvements appears to be changing in a way that will make it more difficult to continue meeting our manpower requirements in the future. The fiscal 1985 budget attempts to keep our personnel program abreast of these changes so that we can achieve in a more cost-effective manner the force structure necessary to operate a 600-ship Navy in a high state of combat readiness.

The support we have received from the Congress and specifically from this committee is greatly appreciated.

I thank you for the opportunity to appear here today and will be happy to answer your questions.

[The prepared statement of Vice Admiral Lawrence follows:]

PREPARED STATEMENT OF VICE ADM. WILLIAM P. LAWRENCE, USN, DEPUTY CHIEF OF NAVAL OPERATIONS FOR MANPOWER, PERSONNEL AND TRAINING AND CHIEF OF NAVAL PERSONNEL

INTRODUCTION

Mr. Chairman and Members of the Subcommittee

I am very appreciative of this opportunity to testify on Navy's FY 1985 manpower programs and funding request. Today, our Navy, more than at anytime in the recent past, is manned by dedicated, extremely capable officers, sailors, and civilian employees. The President's FY 1985 Budget allows us to maintain the positive trends of the last three years and, where necessary, correct identified problem areas.

Our ability to execute the national maritime strategy so clearly described by Admiral Watkins in his recent budget testimony depends on achieving a 600 ship, 15 Carrier Battle Group Navy by 1989. In terms of hardware the 600 ship Navy is a reality. By the end of FY 1984 we will have 525 ships in the fleet and another 88 under construction or on contract. Active, reserve, and civilian manning levels must keep pace with hardware growth. Recruiting and retention levels are, in the aggregate, meeting today's requirements and laying the foundation necessary to support future growth. Manpower for our ships and aircraft is programmed at 94% of wartime requirements. This manning level allows a significant portion of the fleet to be forward deployed in a combat ready posture during peacetime and, if necessary, conduct prompt wartime operations pending mobilization of the Reserves.

Significant positive changes are occurring in the personnel structure of the Navy. The experience level of our personnel is increasing. The portion of the enlisted force with over four years of service increased by 8.3% between December 1980 and the end of FY 1983. Recruits scoring above average on the Armed Forces Qualifying Test rose from 64.5% in 1981 to 70.1% in 1983. New enlistees with high school diplomas increased from 75.8% to 91.1% in the same timeframe. The shortage of petty officers has declined from 22,212 in 1981 to 9,286 in FY 1983. The shortage of mid-grade pilots decreased from 2,350 in 1981 to 1,087 in 1983.

The dramatic turnaround in the number and quality of the people who man our Navy today, compared to the late 1970s, can be attributed to our improved position in the manpower market and an intensive retention effort. Increased compensation levels in the early 1980s, renewed patriotism which enhanced the attractiveness of a military career, and the high civilian unemployment rate all contributed to the change.

The challenge we face now is to meet increasing manpower requirements with personnel possessing high training potential while, at the same time, civilian employment opportunities are increasing and the pool of 18-21 year old men is decreasing. We know from our experience in the 1970s that in order to meet our manpower requirements given these conditions military pay must be restored to levels comparable to what is offered by other employers and that the total compensation package must be competitive with that available in the private sector. Additionally, recruiting and retention efforts must be intensified.

To meet our manpower requirements we must examine and implement a wide range of management initiatives. One such initiative is the identification of active force missions which can be transferred to the Naval Reserves without degrading our ability to support a forward deployed maritime strategy and respond to today's operational requirements. Additionally, we are working to eliminate manning imbalances in the more senior paygrades of many enlisted communities. Within legal constraints regarding employment of women we are working to take full advantage of their capabilities. Increased use of Federal civilian employees and private contractors is also being carefully considered as we work to accomplish our mission in the most efficient way possible.

Management initiatives alone cannot totally eliminate the need for greater end strength to adequately man an expanding fleet, raise combat readiness levels, and meet heavy operational commitments. In order to build a Navy capable of fulfilling our maritime strategy it is essential to increase overall personnel strength during the next five years.

I would like to review the major portions of our program by describing our present situation and explaining how we see the future as we grow to man the 600 ship Navy. Starting with a brief overview of the Manpower, Navy budget request I will then discuss the Active/Reserve Force Mix and End Strength requirements since they are so closely related. Next will be Personnel Readiness followed by Education and Training and Quality of Life. I will conclude by discussing the major Compensation and Legislative Issues we will be working on with you this year.

Manpower, Navy Budget Request

An MPN appropriation of $15,897,500,000 is requested to support 570,863 man years and 575,300 officer, enlisted and midshipmen end strength in FY 1985. Figure 1 reflects funds requested for all six budget activities, as well as the percent of the total program each category represents. In the FY 1985 MPN funding request, $3,804,281,000 of the $4,446,592,000 growth in the total direct program is for retired pay accrual which was not contained in the FY 1984 budget.

FIGURE 1

MILITARY PERSONNEL, NAVY DOLLARS ($000) BY BUDGET ACTIVITY

BUDGET ACTIVITY	FY 1984	%	FY 1985	%
PAY AND ALLOWANCES - OFFICERS	2,638,353	23.0	3,719,530	23.4
PAY AND ALLOWANCES - ENLISTED	7,477,670	65.3	10,756,402	67.7
PAY AND ALLOWANCES - MIDSHIPMEN	33,890	.3	34,341	.2
SUBSISTENCE OF ENLISTED PERSONNEL	690,870	6.0	719,807	4.5
PERMANENT CHANGE OF STATION TRAVEL	566,646	5.0	613,361	3.9
OTHER MILITARY PERSONNEL COSTS	43,479	.4	54,059	.3
TOTAL DIRECT PROGRAM	11,450,908	100.0	15,897,500	100.0
REIMBURSABLES	105,000		123,800	
TOTAL FINANCIAL PROGRAM	11,555,908		16,021,300	

Active/Reserve Force Mix

The Naval Reserve expansion program over the next five years is very ambitious. It provides for the assumption of several functions presently assigned to active duty forces in order to partially offset increased manning requirements of the 600 ship Navy. The advantages of increasing the use of Selected Reservists are recognized and an examination of the entire active duty force structure to determine additional areas where Selected Reservists can replace active duty personnel is underway.

The primary concern in setting the proper mix of Active and Reserve forces is to maintain the level of readiness necessary to meet peacetime commitments and war plan requirements. Naval forces are "... the tip of the spear in our national defense" as Secretary Lehman said in a recent message to the Department of the Navy. Historically, our maritime strategy has been one of forward deployment. This strategy necessitates the continuous overseas presence of a significant portion of the fleet in peacetime and requires that our units be maintained in a high state of combat readiness. The Navy must be immediately ready to protect the citizens and interests of the United States and our Allies as we have done and are doing in Grenada, Central America, Lebanon, the Indian Ocean, and Sea of Japan. The Active/Reserve force structure must support a strategy of foward deployment. Authority governing use of reservists, especially how and under what conditions they may be recalled to active duty, has a great deal of bearing on which missions they can be assigned and to what extent they can perform them. Expanded use of Reserve forces in some warfare mission areas may require changes to laws governing the recall of reservists.

While a large percentage of Army and Air Force units are required to forward deploy in strength only after mobilization, U.S. maritime strategy calls for a forward deployed combat ready fleet in peacetime. This basic distinction between the Services is fundamental to understanding the differences in policy with respect to the employment of Reserve forces.

Our Reserve forces must have a sufficient number of trained personnel to support their missions. At this time the Naval Reserve is experiencing personnel shortages in certain skill areas which makes mission accomplishment difficult. The Selected Reserve is manned at 80 percent of mobilization requirements. Naval Reserve manpower growth to achieve Navy Manpower Mobilization System (NAMMOS) strength requirements and introduction of modern sophisticated equipment, requires more resources and innovative management of recruiting, training, and retention assets.

The pursuit of expanded roles and missions for the Reserve will be impacted upon by the following factors:

- High active duty retention has decreased the number of eligible prior service personnel in the recruiting market from which the majority of Selected Reservists and Training and Administration of Reserves personnel (TARs) are drawn.

- Reservists in the right skill mix may not be within commuting distance to training sites.

- Historic trends show that an improving economy increases the difficulty in retaining Selected Reservists.

- Competitive compensation, an expanded Selective Reenlistment Bonus Program, and other incentives may be required to retain a sufficient number of reservists, particularly those with critical skills.

- As requirements are identified for additional recruiters, recruiting support and enlistment incentives it may be necessary to request additional resources in the future.

An important manpower management consideration in determining whether reservists can replace active duty personnel is the time period necessary to mobilize the reserve unit compared to the delay permissible in meeting operational requirements. Whenever possible reserve forces augment active forces. Mission timing and sequence is critical to this consideration. The Naval Reserve is used in a wide range of major missions and in several instances represents the total Navy capability in a given area. Horizontal integration of the reserves with active forces is taking place.

The following partial list shows the current Selected Reserve contribution to meeting the requirements of our national maritime strategy.

100% of U.S. Based Logistic Airlift (VR), 11 SQDNS (17-C9, 4-DC9, 7-C118, 3-C131H)
100% of U.S. Based Composite (Service) Squadrons (VC), 2 SQDNS (24 A4)
100% of Light Attack Helicopter Squadrons (HAL), 2 SQDNS (16 HH1K)
100% of Combat SAR Capability (HC-9) 1 SQDN (8 HH3A)
100% of Mobile Inshore Undersea Warfare Units, 16 units
99% of Naval Control of Shipping Organization, 81 units
86% of Ocean Minesweepers, 18 Ships
86% of Navy Cargo Handling Battalions, 6 units
85% of Military Sealift Command (MSC) Military Personnel, 64 units
68% of Navy Mobile Construction Battalions, 17 units 66%
of Naval Special Boat Forces, 66 units
35% of Naval Maritime Air Patrol Squadrons (VP), 13 SQDNS (117 P3)
34% of Naval Intelligence Personnel, 125 units
30% of Navy Medical Support Personnel, 403 units
17% of Navy Base Operating Support Personnel, 91 units
14% of Navy Tactical Carrier Air Wings (CVW) 2 wings (9 SQDNS each)

Naval Surface Force expansion is noteworthy especially in the surface ship area. The transfer of eight modern FF-1052 and sixteen new FFG-7 class frigates from the active forces represents a major effort toward horizontal intergation of The Naval Reserve Surface Force. Started in FY 1982, these transfers are scheduled for completion in FY 1988. Enlisted Training and Administration of Reserves (TAR) personnel who are reservists on active duty will provide considerable manning for these ships. The FF-1052 frigates have 86 programmed TAR enlisted billets (56% of the active duty personnel onboard). The FFG-7 class ships have 33 TAR enlisted billets (30% of the active duty personnel onboard). An expansion of the TAR enlisted program to include Radioman (RM) and Mess Management Specialist (MS) ratings is planned. The addition of these two ratings will enable the enlisted TAR manning levels on the ships to increase to 62% for FF-1052s and 38% for FFG-7s. When the frigate transfers are completed under the current plan a total of 3,200 active duty MPN funded end strength billets will have been replaced by RPN funded TAR and Selective Reserve billets. We are reviewing the feasibility of further expanding the manning level of TAR ratings and adding additional ratings to the program.

New construction mine countermeasure (MCM) and mine sweeper-hunter (MSH) class ships are also planned for the Naval Reserve Surface Force. We will transfer the first MCM-1 class ship in FY 1986, with additional transfers to a total of eight ships by FY 1990.

The MSH program will transfer 17 ships into the Naval Reserve by FY 1993. The billet structure to support these ships is being formulated.

For the future we are examining additional areas where the reserve can augment the active force. Reserve participation in manning the TAH hospital ships, Caribbean Sea Lines of Communication protection, and coastal maritime defense head a list of several initiatives under study at this time.

The Reserve force augmentation of USS NEW JERSEY (BB-62) off the Coast of Lebanon is an excellent example of how our Selected Reserve forces are ready to augment active forces. Today there are 66 Selected Reservists on active duty aboard USS NEW JERSEY. This is the fourth contingent of Selected Reservists to augment the crew since December 1983. In total, 217 Selected Reservists have relieved NEW JERSEY crewmen, allowing them to return home for a three week break in their deployment which now has reached its 10th month.

The growth plan for the Naval Reserve is being executed as rapidly as available manpower resources will permit. A key means for expanding our Selected Reserve force is the Sea and Air Mariner (SAM) program. This program will meet many enlisted skill requirements through an annual recruiting goal of 10,000 personnel instead of the former Ready Mariner Program goal of 2,000 personnel. Under the SAM Program the non prior service high school/college manpower market is more accessible to Naval Reserve recruiters. A program to directly access officers into the Selected Reserves will begin this year. The Officer Sea and Air Mariner Program (OSAM) will require personnel to serve a maximum of two years active duty depending on their designator. We plan to have this program fully implemented by FY 1989.

Our Active/Reserve Force Mix Report to the Authorization Committees in support of the FY 1985 budget discusses this subject in depth. Navy is serious, dedicated, and determined to work closely with the Congress to achieve the optimal Active/Reserve force mix.

Total Force End Strength Request

The importance of end strength increases to the Navy was summed up by Secretary Lehman in his Congressional testimony last month, when he stated,

> "We will be adding about 20 ships per year until 1989, and we must have additional sailors to man those ships. Because of last year's congressionally imposed ceiling, we have already had to cut manning of shore activities supporting the operating force to below cost-effective levels. Reductions in the FY 1985 personnel end strength request would end up creating serious problems and cost the taxpayer money."

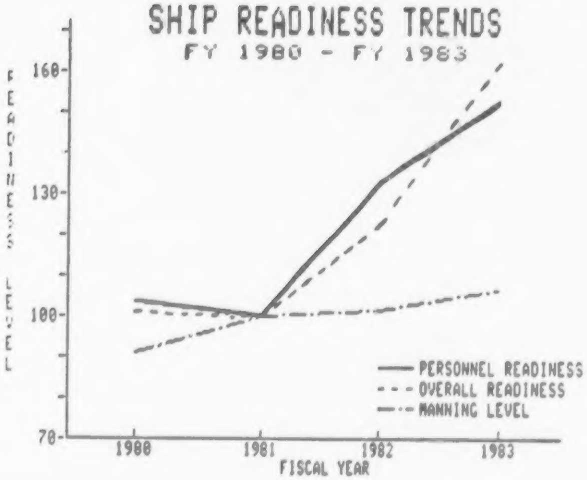
This year we are requesting an active component manpower end strength increase of 10,500 for a total of 575,300 and 6,304 new reservists (1,564 active duty) in a paid status for a total of 128,800 (15,410 active duty); while our civilian request declines 588 to a total of 317,727. Compared to FY 1984 levels, this is an increase of 1.86% active component, 5.15% reserve component, and a nominal reduction in civilian end strength. Strategic and Tactical/Mobility forces and direct fleet support such as SIMAs, AIMDs and medical units account for about 95% of the 12,064 increase in the total active duty force. Training and auxiliary activities account for the remainder. Navy civilian personnel, augmented by cost effective utilization of civilian contractors, will contribute directly to improving the combat capability of our operational forces.

Civilian employment declines slightly in FY 1985 due to changes in personnel phasing as well as some workload related decreases at industrial fund activities. There are increases in direct readiness and other essential support areas at a number of non-industrial fund activities. The civilian end strength request incorporates compliance with FY 1984 Congressional direction, including a 5% reduction in headquarters manpower, accommodation of directed staffing increases, as well as an adjustment to reflect the lifting of civilian ceilings at industrial fund activities through FY 1984.

Adequate end strength is essential to the continuation of the fleet's upward trend in combat readiness both afloat and ashore. We know from past experience and various manpower studies that there is a close relationship between manning levels and the combat readiness and materiel condition of our ships. The decision in 1981 to increase shipboard manning resulted from detailed study of the major areas which determine a ship's combat readiness; i.e., personnel, training, materiel, and supply. The evaluation concluded that personnel deficiencies were a major contributing factor to overall low readiness levels. Studies examining two of our major ship classes showed that increasing shipboard manning levels from 80% to 100% of requirements resulted in a 30% decrease in equipment casualties affecting mission capability.

Between 1980 and 1983 average shipboard manning levels were increased by 12%. The number of ships reporting fully or substantially combat ready (C1 or C2) status increased 58% in this same timeframe. By assigning the manning, personnel readiness, and overall readiness levels which existed at the start of FY 1981 a value of 100 figure 2 shows the percent of improvement in readiness achieved as manning levels increased.

Fig. 2



The shore establishment plays a key role in maintaining and improving the combat readiness of our operational units. Ships and aviation squadrons will never be totally self-sufficient. An increasing portion of ships in the fleet such as the FFG-7, DD-963, and SSN-688 classes are designed and manned on the assumption that major maintenance, repairs, and administrative support will be provided by the shore establishment. The technological sophistication of today's aircraft and avionic systems makes many major repairs and some maintenance impracticable at the squadron level. The shore establishment, manned by military and civilian personnel, supplies the support our ships and squadrons cannot provide for themselves and is absolutely essential to attaining required combat readiness levels. Military and civilian personnel engaged in fleet support activities such as Shore Intermediate Maintenance Activities, Aircraft Intermediate Maintenance Departments, supply centers, personnel support detachments, port services, medical facilities, naval bases, shipyards, Military Sealift Command, ammunition depots, and training centers will allow the shore establishment to provide the level of direct support required by our ships and squadrons. In addition, it should be noted that over half of the Navy's civilians work in industrial fund activities, engaged primarily in direct readiness support through depot-level maintenance and repair of ships, aircraft, and ordnance. The military and civilian personnel of the Navy's shore establishment are essential to keeping our ships at sea throughout the world.

An expanding fleet and increasing operational commitments require that our highest manning priority be operational units. There are over 262,000 men and women assigned to sea duty and an additional 25,000 are stationed outside the continental United States. The rotation of our career sailors between sea and shore assignments averages 3.5 years at sea for every 3 years ashore. Approximately 40% of our sea intensive and mission critical ratings spend as much as five years at sea with only two years ashore. Most ships in the fleet, excluding those in overhaul, are out of homeport more than 50% of the time with many carriers, cruisers, destroyers, submarines, and frigates spending approximately 60% of the time away from home. Overseas deployments average six months in duration and normally occur every 11 to 13 months. We ask much of our sailors and we must do more to ameliorate the hardships associated with sea duty.

Manning the growing fleet without increasing end strength will exacerbate the already heavy demands on our sailors. If this should occur, sea to shore duty rotation ratios would increase because fewer personnel will be available for sea duty. Individual workloads onboard ship would rise as shipboard manning levels fall and the capability of the shore establishment is not able to keep pace with the growing fleet's requirements. In the late 1970s we experienced such a manning situation and readiness came spiralling down as recruiting and, more importantly, retention fell dramatically.

We cannot afford to have this happen again. This year's request for active, reserve, and civilian end strength is absolutely necessary to man the expanding fleet, continue improvement of combat readiness levels, and ensure the workload placed on the people manning our ships, squadrons, and shore activities does not increase beyond reasonable limits.

In order to improve the use of manpower resources and better quantify our needs the Navy Manpower Engineering Program (NAVMEP) was developed to coordinate all manpower requirements determination for the U.S. Navy. The best aspects of several manpower programs have been consolidated under NAVMEP. These include Ship and Squadron Manpower Document Programs; Efficiency Review (ER) Program; streamlined Shore Requirements, Standards, and Manpower Planning System (SHORSTAMPS); and Commercial Activities (CA) Program. The major impact of NAVMEP will be in the development of manpower requirements for shore activities. Ship and Squadron Manpower Document Programs will not change. NAVMEP will accelerate the manpower requirements development process which will result in coverage of 100 percent of the shore establishment within two years. Seventy percent of the shore establishment will be covered by standards, while the remaining 30 percent will be covered through application of macro-modeling and other industrial engineering techniques. Additionally, NAVMEP will achieve the manpower savings goal directed by Office of the Secretary of Defense for the ER Program. NAVMEP will be initiated within the fiscal and manpower assets previously allocated for the individual programs which are being consolidated under its umbrella. When implemented, NAVMEP will relate manpower requirements and authorizations to funded programs while also assisting in identifying more efficient methods of organization and use of manpower resources. Results under the CA Program are indicative of the Navy's commitment to manpower economies and efficiencies. During FY 1983, we conducted cost studies on 6,750 billets and positions, of which 3,400 were determined to be more cost-effective when converted to contractor performance. This review resulted in estimated annual savings of $26.3 million. We expect to continue to study about 6,000 positions per year over the next few years. It should also be noted that while actual CA savings are reflected in the budget, projected contracting out savings are not shown. This is in compliance with Congressional direction.

In addition to NAVMEP associated efforts, we are also participating in Defense Retail Interservice Support (DRIS) studies seeking cost-effective consolidation of interservice-compatible support functions. This year we have also included resources in support of the Secretary of Defense's spare parts acquisition improvement program, implemented in the Navy as an integral part of our integrity and efficiency program under the acronym "Buy Our Spares Smart (BOSS)."

In order to improve management of our manpower resources significant strides have been made to provide timely and accurate information to aid our commanders in more effectively managing their personnel resources. We are continuing to make progress on decentralizing and distributing our data processing capability by the development of standard integrable systems. This strategy increases system responsiveness, has proved to be cost effective, and provides greater flexibility to the users of information.

We have made notable progress in the development of two Navy-wide systems -- Source Data System (SDS) and Navy Civilian Personnel Data System (NCPDS). Since last July an SDS pilot project has been in successful operation at the Personnel Support Detachment (PSD) Lakehurst, New Jersey. The pilot project has demonstrated that full implementation of SDS will increase the timeliness and accuracy of field inputs and significantly reduce administrative burdens. Data from SDS will update pay and personnel records to be processed by a central consolidated site at the Navy Finance Center, Cleveland, for the Navy's military pay and personnel systems. Establishment of the consolidated site is on track and progressing smoothly. Also, our civilian system was successfully prototyped. In line with the President's objectives under Reform 88 we are tailoring the Air Force civilian data system to become a Department of the Navy wide comprehensive data system for the civilian workforce.

In addition to manpower management systems already in place, Navy is conducting research and development in new manpower, personnel, and training systems. The FY 1985 budget contains funds for R&D in the areas of human factors engineering, manpower control systems, education and training, training device technology, and training and personnel systems development. I urge your full support for this modest program which is essential to our efforts to further increase personnel management and training efficiency.

Personnel Readiness

The manning status of today's Navy is better both quantitatively and qualitatively than at any time in the last ten years. We are meeting overall recruiting and retention goals. A solid base of experienced officers and sailors with which to build a force to man the 600 ship Navy has been established. Strong recruiting and retention programs are bringing us the new officers and sailors needed to expand the force and we are retaining experienced personnel to fight and maintain our ships and aircraft.

The impressive increases in personnel readiness have been made possible by improved compensation levels, renewed attractiveness of a military career, better training and, undoubtedly, the high civilian unemployment rate. We have demonstrated over the last three years that the manpower growth required to support the 600 ship Navy is achievable, provided we stay abreast of ever changing manpower market conditions and keep the military compensation package competitive with the private sector. An improving economy will have a negative impact on our ability to recruit and retain personnel. We must take measures to offset this factor. Personnel shortages and imbalances still exist. Our actions must be proactive, that is, we must prevent manpower shortages rather than attempt to correct them after the fact. This is not the time to transmit negative signals on specific issues of pay and benefits. Any decreases, real or perceived, in total compensation including insensitive attacks on the only remaining reasonably stable element of today's compensation package, the retirement benefit, could combine with an improving economy to erode and eventually reverse the recruiting and retention gains already achieved. Such a result could prevent the Navy from reaching future force structure goals. The current pay and benefits system maintained by comparable pay raises will keep our ranks fully manned with capable men and women.

The ability to move personnel in order to meet sea/shore rotation requirements, fill manning vacancies onboard our ships, squadrons, and shore activities and provide personnel the training necessary to perform their duties is crucial to maintaining a high state of personnel readiness in the fleet. Because of this fact, adequate funding for our Permanent Change of Station (PCS) program is an area of major concern to us. In FY 1983 the PCS program was fiscally constrained and we had to extend 16,800 moves into FY 1984. As a result of that action, FY 1983 overseas moves were at the lowest level we have seen in many years and some afloat and CONUS shore billets were not filled on time. The impact of constraining FY 1983 moves was to create severe skill imbalances and increase PCS requirements in FY 1984 and FY 1985 while reducing the base of volunteers we can call on in the future to extend tours.

We are making changes that will ultimately reduce PCS requirements. Sea/shore rotations and overseas tour lengths are being extended where personnel inventories and retention factors permit. We must move cautiously, however, to ensure these actions do not increase other expenses such as personnel replacement costs due to reduced retention. Our ability to immediately make substantial changes is limited. The billet structure provides few shore billets for sea duty intensive ratings in major fleet homeport areas. Since the ratio of sea to shore billets in the same locale exceeds 6 to 1 for some personnel, if we retain these people beyond their first enlistment we must move them when they are due for shore duty or require additional training.

There is little room for substantial PCS reductions in the immediate future. Reductions that can be realized will come from minor adjustments to many Navy programs and the cumulative effect will take several years to be seen. As we saw in FY 1983 and are seeing in FY 1984, major funding reductions to our PCS program will make it necessary to mortgage the future through bow waving moves into the next fiscal year, a measure that degrades readiness and creates turbulence for our people -- a practice we must avoid.

ACCESSIONS

In FY 1983 we accessed, 84,798 men and women into the enlisted force and 9,655 into the officer corps for 100% of the numerical goal in each case. A record of our accessions for enlisted and minority personnel is provided in Figures 3 and 4. We did not meet our accession goals for nuclear power officers.

FIGURE 3

FY 1983 ENLISTED ACCESSION
QUANTITATIVE RESULTS

	FY 1975	FY 1976	FY 1977	FY 1978	FY 1979	FY 1980(1)	FY 1981	FY 1982	FY 1983	FY 1984 (GOAL)
GOAL	112,130	103,325	116,314	94,735	93,390	99,299	106,238	94,793	84,798	100,280
ATTAINED	113,027	103,587	111,557	89,009	88,345	99,351	106,322	94,793	84,798	
PERCENT ATTAINED	100.8	100.3	95.9	90.4	94.6	100.1	100.1	100.0	100.0	

QUALITATIVE RESULTS (2)

HSG (3)	74.8%	84.1%	79.6%	83.3%	84.0%	83.6%	87.3%	89.9%	96.0%	
HSDG	70.4%	76.5%	72.6%	77.1%	77.4%	74.8%	75.8%	78.7%	91.1%	78%
MGI-IIIU (4)	68.0%	74.60%	72.2%	74.6%	71.9%	75.6%	64.5%	65.8%	70.1%	64%

NOTES:

(1) Revised recruiting policy implemented. Non-prior service male accession to be 74% Mental Group I, II and IIIU vice 76% HSDG.

(2) Qualitative results are percents of non-prior service active duty accessions.

(3) High school graduates (HSG) include diploma graduates (HSDG) and those personnel who validate a high school education as a result of testing or have completed an accredited home study course.

(4) FY 1981 and later figures reflect renormed ASVAB data.

FIGURE 4

FY 1983 MINORITY ACCESSIONS

ENLISTED

	FY 1983 GOAL	ATTAINMENT	FY 1984 (GOAL)
BLACK	8,997	10,627	9,856
HISPANIC	4,798	4,928	5,257
		OFFICER	
BLACK	510	353	544
HISPANIC	310	147	333

Analyzing the record of recruiting successes and failures over the last ten years provides a reliable means of predicting the future. In the 1970s, immediately following the end of the draft, we met our recruiting goals. A successful recruiting year resulted in a reduction in the recruiting budget for the next year. Navy Recruiters met their goals through FY 1976 but failed in each of the next three years as the ecomony improved, unemployment rate declined, military pay failed to keep pace with private sector pay, and recruiting funds were reduced. Because of the difficulty in predicting future manpower market conditions, recruiting resources were restored too slowly. It takes 12 to 18 months to select, train, and place additional recruiters in the field. Navy advertising, on which so much of our recruiting success is founded, takes over 18 months to return youth awareness of the opportunities offered by a Navy career to adequate levels. The failure to consistently meet recruiting requirements in the late 1970s contributed to the severe shortage of mid-grade petty officers in the early 1980s. Had this shortage not occurred the time and resources devoted to correct the problem could have been used to improve even further today's level of personnel readiness.

Inflation and budget reductions between FY 1981 and FY 1984 have reduced the recruiting and advertising budget by nearly $29 million or 28%. The Navy has been successful at meeting its accession goals with reduced recruiting and advertising resources because of three principle factors: (1) we have a dedicated and experienced recruiting organization, (2) military compensation levels in most skill areas have been competitive with that offered by the civilian community, and (3) the unemployment rate has been unusually high, especially for men and women just entering the job market.

We can see parallels in present trends with what happened in the 1970s. All the indicators associated with more difficult recruiting conditions are appearing. The youth labor pool is decreasing. The unemployment rate is declining. Military pay is not keeping pace with wage growth in the private sector. Youth awareness of Navy programs has dropped to the lowest point since 1977 with Navy now ranking last among the four Services in this critical area. Competition from the civilian sector for recruits with high education levels and training potential is increasing. Recruiting projections for FY 1984 indicate we will only be able to recruit 78% High School Diploma Graduates and 64% upper mental group recruits, a decline of 12% and 6%, respectively, from FY 1983 levels. The Delayed Entry Pool (DEP) which is currently at 45,165 recruits is projected to decline significantly going into FY 1985. This DEP reduction will primarily be in non prior service active duty males and will degrade our future ability to absorb accession shortfalls without adverse effects on recruit quality and programmed student loads at our training command. Additionally, a smaller DEP will reduce the effectiveness of our recruiters by forcing them to concentrate on immediate accessions from the civilian work force vice highly qualified school eligible recruits from the high school market.

Because of these early warning signals, all confirming development of a more competitive manpower market, the practice of reducing recruiting and advertising budgets based on prior year success in meeting accession goals is no longer viable. We strongly recommend that the recruiting and advertising request not be reduced. The full program is required to meet recruiting requirements for FY 1985.

The Navy's civilian work force recruiting efforts also met with success. In FY 1983, utilizing the flexibility provided under Section 788 of the FY 1983 Defense Appropriations Act, we were able to take advantage of temporary labor market conditions and hire more than 900 recently graduated scientists and engineers for our industrially funded research and development laboratories. This influx of new talent is a temporary solution since the law provides end strength ceiling relief only through FY 1984. The continuing growth of naval forces will require restructuring of the civilian work force especially in high technology fields and certain select trade skills. The flexibility to adjust staffing levels to meet changes in funded workload is taking on added importance. In this regard, the Section 788 flexibility has produced limited benefits by allowing us to make workload phasing adjustments, primarily through the ability to retain temporary employees at the end of the fiscal year who otherwise would have been cut to reach end-year ceilings. However, it is our conclusion that the short initial lead time and duration of the exemption did not allow for a valid test, and that a three to five year period is required to plan for meaningful workload and manpower adjustments. A detailed assessment of the program has been provided to the Secretary of Defense for incorporation into a report for Congress. Relief from statutory ceiling controls, not just in industrially funded areas, would enhance our ability to hire and retain the scientists, engineers, machinists, electronic mechanics, instrument mechanics, welders, and tool makers we need to support the growing fleet.

Women in the Navy continue to increase in numbers and job diversity. There were 40,477 enlisted women and 6,322 women officers on active duty at the end of FY 1983. As a percentage of the total Enlisted Force and Officer Corps, women increased from 7.7% to 8.2% and 8.5% to 9.0%, respectively during FY 1983.

Because women are restricted by law from permanent assignment to combatant ships and aircraft, diversified employment in the shore establishment as well as expanded Temporary Duty opportunities at sea provide the primary avenues for expanded employment of Navy women. As Navy approaches women's end strength goals, which are derived from sea/shore rotation requirements, management initiatives in FY 1983 have increasingly focused on the qualitative development of a women's career force.

Enlisted women's retention, both first term and career, improved 14% and 10%, respectively over last year ending FY 1983 at 55.3% first term and 79.4% for career. Enlisted women's first term attrition improved, dropping one percentage point from last year to end FY 1983 at 10.6%. By comparison male first term attrition for FY 1983 was 11.6%. Management focus on continued development of the enlisted grade structure resulted in a 3% manning increase at the E-5 level and the selection for the first time of women Chief Petty Officers in the non-traditional ratings of Boatswain's Mate, Hull Technician, Aviation Ordnanceman, Engineman, Electricians Mate, Operation Specialist, and Interior

Communications Technician. Of the enlisted women's inventory at the end of FY 1983, 24% were employed in non-traditional ratings and we are optimistic about achieving our goal of 31% by 1987.

Women officers continue to be assigned to all officer categories except Submarine and Special Warfare. Management initiatives during FY 1983 expanded Temporary Duty opportunities for women officers including those assigned to Explosive Ordnance Disposal Units and Helicopter Combat Support Detachments enabling them to serve aboard Mobile Logistics Support Force Ships operating in the SIXTH and SEVENTH fleets. Career paths for women designated Surface Warfare Officers are being revised to provide additional experience enhancing post-department head opportunities ashore as partial compensation for the lack of shipboard billets at the 04-05 level for female Surface Warfare Officers. General management indicators such as retention, attrition, and improved senior grade distribution are positive and improving for women throughout all officer categories.

The women in ships program has continued to grow with a total of 170 officers on 30 ships and 2,623 enlisted women on 26 ships at end FY 1983. This reflects an increase of approximately 350 women serving in permanent sea assignments over FY 1982. In FY 1985 we plan to have 200 officers and 5,338 enlisted women assigned to shipboard duty.

Retention

Retention of our experienced officers and petty officers is essential to combat readiness and efficient operation of the Navy. The military personnel structure is essentially a closed system with very limited ability to accept lateral entry personnel. Officers and petty officers must be advanced from within the ranks because in addition to their technical skills they must exercise leadership and management skills which are unique to the military organization and therefore cannot be acquired in civilian occupations. For this reason it is extremely important that recruiting and retention goals be met on a continuing basis.

The following table summarizes Enlisted Retention in recent years.

Enlisted Retention

	FY 1981	FY 1982	FY 1983	FY 1984 Goal
1st Term	41.7%	50.3%	55.7%	50%
2nd Term	56.9%	63.0%	65.4%	65%
3rd Term & beyond	94.1%	95.3%	96.6%	95%

The benefits of high retention rates are numerous. Improved retention has made it possible to reduce the petty officer shortage from 22,212 in FY 1981 to 9,286 at the end of FY 1983. Since December 1980 E5-E9 manning of ships and aviation squadrons has increased 11.9%. In the same period the experience level of our enlisted force, as measured by the portion of members with over four years of service, has increased almost 8.3% and should reach 50.4% of the force by FY 1985. The petty officer shortfall is under control and it is now possible to correctly balance the inventory among the various ratings.

Enlisted Experience Level

(in 000s)

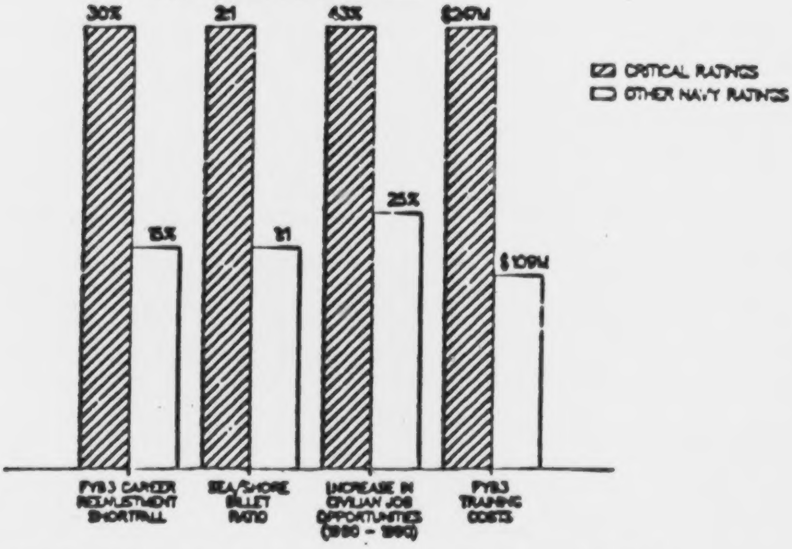
	DEC 80	FY 1981	FY 1982	FY 1983	FY 1984	FY 1985 (PROJECTED)
End Strength	462.6	469.1	479.7	495.6	502.6	511.1
Careerists (over 4yrs)	194.8	203.5	218.2	234.4	248.7	257.6

A major management initiative incorporated into the enlisted inventory plan to man the 600 ship Navy is correction of the petty officer skill imbalance. During the late 1970s and early 1980s the serious shortage of petty officers made it necessary to adopt a policy placing first priority on retaining the maximum number of petty officers with secondary importance being given to ensuring manning levels were not exceeded in a rating. This policy reflected the fact that petty officer leadership skills were a more immediate and critical need in the fleet than the technical skills associated with a particular rating. Additionally, when we began to grow toward the 600 Ship Navy the exact composition of the force was unknown and therefore the manpower requirements could only be estimated. Now that the overall petty officer shortage has been reduced to manageable proportions and we know what ships and squadrons will make up the fleet we can realign the inventory to more accurately reflect skill requirements. Skill imbalances will be corrected by retaining petty officers in undermanned ratings while reducing the number of petty officers in overmanned ratings through normal attrition and conversion to undermanned ratings. The management actions which are being instituted will eliminate any overages by 1988 and correct the shortages by 1990.

The personnel in ratings which are critical to fleet readiness must be retained to the maximum extent possible. As shown in figure 5 these people are in short supply, have longer sea tours than other people, possess skills in high demand by the civilian community, and cost twice as much to train as their counterparts in other skills. We must have a fully funded SRB program if we

Figure 5

COMPARISON OF
RATINGS CRITICAL TO READINESS
AND OTHER NAVY RATINGS



are to keep these people in the Navy. SRB is an exceptionally effective management tool which we use to correct our shortages and ensure future shortfalls do not develop. The management flexibility, proven effectiveness, and relatively small cost of the SRB program make it one of the best investments we can make in the future strength of our Navy.

Officer retention has also shown improvement over the last three years. All warfare communities with the exception of Surface and Submarine Warfare have made significant progress toward overcoming their mid-grade shortfalls.

Unrestricted Line Officer Community Retention

	FY 1981	FY 1982	FY 1983	FY 1984 (Projection)
Surface Warfare	42%	43%	45%	47%
Nuclear Submarine	33%	39%	46%	51%
Aviation (Pilot)	42%	49%	58%	60%
Aviation (NFO)	65%	73%	74%	79%
General URL	46%	44%	60%	56%

The Surface Warfare mid-grade officer (O4-O5) shortage is 519. Inadequate junior officer retention rates in the late 1970s followed by less than required mid-grade officer continuation produced this shortage.

Midgrade (O4-O5) Surface Warfare Officer Shortage

	FY 1983	FY 1985	FY 1988
Requirement	3,391	4,085	4,191
Inventory	3,052	3,420	3,732
Shortage	339 (8.5%)	665 (16.3%)	459 (11.0%)

Careers in Surface Warfare are sea intensive, requiring the average officer to spend 9 of the first 13 years in the Navy onboard ship. This high sea to shore duty ratio has made family separation the primary reason for separation cited by Surface Warfare Officers leaving the Navy. Based on projected Surface Warfare Officer manning levels, the ratio of sea to shore duty is projected to increase over the next five years as the number of surface ships grows from today's level of 389 to 416 in 1989.

In order to forestall further growth in the Surface Warfare Officer shortfall we need to increase the incentive value of Career Sea Pay and provide for rate increases between 10 and 20 years of cumulative sea duty. Another action which will help to meet the mid-grade shortage is permanent authority to promote qualified Lieutenants to the rank of Lieutenant Commander when they assume engineering billets which call for the higher rank. This authority will allow us to man some of our most critical billets at no additional cost.

Our most serious manpower problem is retaining experienced nuclear qualified officers. We now have a 26% shortage of these officers. The year groups entering pay grades 04-06 are particularly small due to chronic accession shortages and inadequate retention. Consequently this shortfall will grow to 33% by FY 1989.

Nuclear Officer Accessions

	FY 1981	FY 1982	FY 1983	FY 1984 (Projected)
Goal	758	769	821	830
Attained	558	625	791	758
% of Goal	74%	81%	96%	91%

The retention of nuclear qualified officers has not reached required rates and is projected to fall short in the future.

Nuclear Officer Retention

	FY 1981	FY 1982	FY 1983	FY 1984 (Projected)	FY 1984 (Required)
Submarine	33%	39%	46%	51%	60%
Surface	33%	22%	45%	42%	53%

The solution to the severe midgrade nuclear officer shortage has three key elements. First, we must minimize losses from the existing midgrade group; second, we must meet our retention goals for junior officers; and third, we must provide for consistent achievement of accession goals. Programs essential to achieving the solution include enhanced nuclear officer incentive pay, permanent spot promotion authority, increased sea pay, restoral of submarine pay incentive value to FY 1981 levels, improved targeting of submarine pay to critical 05-06 shortages, and the

Nuclear Enlisted Commissioning Program. The need for rapid introduction of these programs is emphasized by the fact that the problem is not static but is expected to become more serious in the next four years.

Pilot retention rose 9% in FY 1983 compared to FY 1982, yet fewer officers were retained due to smaller cohort size; a legacy of the low accession rate in the late 1970s. The improvement in pilot retention is primarily attributable to comparable compensation levels, Aviation Officer Continuation Pay (AOCP), and low civilian airline demand for pilots. Even though civilian airline demand for pilots is projected to grow dramatically over the next two years the outlook for meeting mid-grade officer requirements by FY 1989 is excellent provided the AOCP program remains in effect.

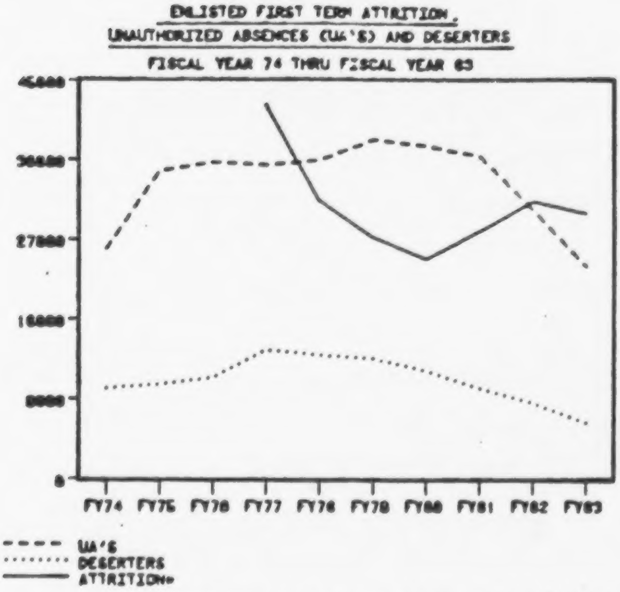
Attrition and Desertion

Improved recruiting and retention rates have enabled us to increase the quality of the force by separating personnel whose professional or personnel performance does not contribute to command readiness.

In FY 1983 the 11.3% first term attrition rate was essentially the same as FY 1982. Past statistics show that no matter how well new recruits are screened and indoctrinated there will always be some who either do not adjust to the rigors of navy life or meet performance standards. Retaining such people places an extraordinary burden on the officers and sailors of the ships, squadrons, and shore activities to which they are assigned. Beginning in 1981 and again in 1982 and 1983 we conducted Project Upgrade which allowed junior personnel whose performance was below standards and who showed little potential for improvement to be released from the service without any adverse consequences. Last year 3,210 sailors were discharged under this program.

Unauthorized absence and desertion rates have declined in the last four years. Arduous shipboard working and living conditions coupled with extended periods at sea and inadequate levels of supervision and leadership caused by shortages of experienced petty officers increase the propensity for sailors to go UA or desert. Conditions in the fleet during the mid to late 1970s accentuated all of these problem areas and the result was an unprecedented high level of unauthorized absence and desertion. The recruiting and retention improvements of the 1980s have made it possible to properly man the fleet and this has brought UA and desertion rates under control. Figure 6 shows the dramatic decline in unauthorized absence and desertion, as well as the leveling out of attrition rates.

FIG. 6



*DATA NOT AVAILABLE FOR 1ST TERM ATTRITION PRIOR TO FY77

1ST TERM ATTRITION

	ATTRITION	%
FY77	42,165	15.7
FY78	31,324	11.6
FY79	27,155	10.2
FY80	24,707	9.3
FY81	27,874	10.4
FY82	31,248	11.7
FY83	29,898	11.3

UA'S

	#	RATE/1000
FY74	25,946	53.8
FY75	34,098	73.0
FY76	35,635	77.5
FY77	35,346	76.9
FY78	35,980	78.3
FY79	38,200	83.4
FY80	37,548	82.0
FY81	36,375	77.9
FY82	30,262	63.6
FY83	23,936	48.6

DESERTERS

	#	RATE/1000
FY74	10,286	21.2
FY75	10,659	22.4
FY76	11,413	24.8
FY77	14,539	31.6
FY78	13,949	30.4
FY79	13,552	29.6
FY80	12,131	27.0
FY81	10,181	21.8
FY82	8,537	18.0
FY83	6,296	12.9

Education and Training

Regardless of the success in recruiting and retention, effective training is the critical factor in fleet combat readiness. The Navy is committed to upgrading its entire training program and organization. The vital role training plays in fleet readiness and combat effectiveness is recognized, and we have focused our attention on all aspects of Navy training during this past year. New initiative designed to make training more affordable and effective are now underway.

Training effectiveness will be maximized by aligning specialized skill training to major systems areas, i.e., Combat Systems, Propulsion/Engineering, Operations and Supply. The optimum training sequence will then be established for the length of a servicemembers career. This concept for training emphasizes the reinforcement of previously acquired skills and knowledge and depends heavily on new technological developments. Efforts to identify alternatives to live-weapon expenditures have commenced and should result in the development of new simulation devices which will maintain training effectiveness at significant overall dollar savings. We have continued our management actions to streamline officer en route training pipelines and have achieved as much as a 30 percent reduction through curriculum revision and longer class days without the loss of any essential classroom instruction.

Education and training provide a means to increase combat readiness in a cost-effective manner. The need for personnel trained in highly technical skills has increased dramatically and placed heavy demands on naval training. In FY 1983 53,922 students graduated from "A" school pipelines with an average of 25,000 students under instruction at any given time. "C" schools, or advanced technical schools, graduated 147,956. An additional 408,334 students graduated from "F" schools in fleet and functional courses. The efficiency of our training efforts has been increased by ensuring students have the skills necessary to complete a course and by consolidation of common course material. The Basic Electricity and Electronics course prepares sailors to enter 25 Class "A" schools. Class "A" schools have been standardized and consolidated along functional lines. Schools for administrative ratings such as Yeoman, Personnelman, Storekeeper, and Disbursing Clerk are taught at the Naval Education and Training Center, Meridian, Mississippi. Training for certain enlisted aviation ratings has been consolidated at the Naval Aviation Technical Training Center, Memphis, Tennessee. Electronic Warfare Training for both officer and enlisted personnel is centralized at the Naval Technical Training Center, Corry Station, Pensacola, Florida.

Each year about 90,000 recruits undergo basic training. Indoctrination has been made more intensive for the Seamen, Firemen, and Airmen. Greater emphasis has been placed on military standards and physical fitness.

Recruits selected for "A" school who do not have the academic skills necessary to immediately enter the course go through the Job Orientation Basic Skill Program. While in the program they receive from four to eight weeks of tailored academic instruction which prepares them to successfully complete their particular school and thereby minimizes attrition. In 1983 more than 1600 sailors participated in this program.

The need to hold down training costs is being met by increased use of shipboard training and simulators. We are producing a series of training packages suitable for use at the unit or work center level covering everything from submarine sonar to shipboard damage control. The Chief of Naval Reserve is involved in this effort to ensure the training meets reserve requirements.

The Navy supports continuing education for its active duty members by providing positive and quantifiable opportunities to pursue voluntary education during on-duty and off-duty time. Voluntary education is a major means of increasing the educational level of our personnel. During FY 1983, 84,000 active duty personnel pursued a wide range of educational goals through the Navy Campus programs. The most important educational issue this year is extension of the G.I. Bill termination date. Extension of the termination date would be a major improvement in the educational benefits available to our career personnel and remove what is becoming an increasingly important reason for personnel to leave the service prematurely. There are approximately 183,000 Navy members currently on active duty eligible for G.I. Bill educational benefits. Of these, 105,000 members are in the critical retention window of seven to fourteen years of service. The fact that these individuals will lose their benefit by remaining on active duty is not only detrimental to the retention program, but also unduly penalizes them for continuing to serve their country in a military career. The Navy supports extension of the December 31, 1989 G.I Bill termination date to provide a service member up to ten years, after discharge or release from active duty, to use G.I. Bill benefits.

Quality of Life

The Quality of Life program focuses on improving operational readiness through assisting our members to meet their personal needs and family responsibilities. This is accomplished through improving the leadership techniques of our supervisors and increased command support in meeting personal and family needs. The geographic instability and family separation which are part of a naval career make availability of sufficient housing, recreational facilities, commissaries, hospitals, and family support services crucial to maintaining the standard of living and morale of our men and women. Sailors are required to spend a great deal of their time at sea and are frequently unable to be with their families in time of need. Each day the Navy has the equivalent of 86,000 single parents while their spouses are at sea. Without secure knowledge that family will be safe and well supported in their absence it would be impossible for our men and women to give full attention to their duties.

The number of married men and women in the Navy is increasing. In 1974 48% of all enlisted personnel were married. Today the figure is 53%. In addition we have 5,100 single parents with custody of their children on active duty. The rise in the number of sailors who have family responsibilities has increased the demands made on our family support programs. In order to meet the demand we have started a very comprehensive Family Service Center (FSC) program. Each FSC coordinates and applies the entire range of resources available from both military and civilian sources to solving an individual's problem. Today 38 Family Service Centers are operating in areas of major fleet concentration. The great need for these Centers is demonstrated by the fact that during a recent three month period over 185,000 persons were helped at the Centers. We plan to have a total of 62 Centers serving 85% of all active duty personnel and their families by the end of FY 1985.

There are over 205,000 men and women in the Navy who are 22 years of age or younger. Most of these sailors are single, live onboard ship, and are on duty 60 to 70 hours a week. Shipboard habitability is austere and due to space considerations even our largest ships can accommodate only the most limited forms of recreational activity. On small ships and submarines, off-duty recreation consists mainly of reading, closed circuit television, and movies. The recreational facilities at our bases serve to fill this recreational void onboard ship by providing opportunities for sailors to use their spare inport time constructively. Physical fitness centers and pools with organized athletics and team sports, hobby shops, outdoor recreation facilities, and camping gear rental, to name a few, are an important part of the Quality of Life Program. In FY-1985 we plan to expand the operating hours of these facilities and significantly improve the physical fitness centers at Naval Training Center, Orlando, Florida; Construction Battalion Center, Gulfport, Mississippi; and Submarine Base, San Diego, California. These facilities are designed to serve over 60,000 personnel and their dependents.

Officers and sailors who are stationed overseas face a very difficult situation in that frequently, because of a lack of local facilities, they are completely dependent on the base for their off-duty recreation. New or upgraded physical fitness centers are planned for Naval Station, Guantanamo Bay, Cuba; Naval Station, Rota, Spain; and Naval Air Station, Sigonella, Italy. These facilities will also be available for use by visting fleet units.

Substance Abuse

The Navy's "ZERO Tolerance" substance abuse program is making headway. The results of the 1982 Department of Defense Worldwide Survey on alcohol and drug abuse showed 20.9% of E1-E5 personnel had used drugs within the previous 30 days and that marijuana usage among this same group stood at 17.5%. While these figures represent a decrease from the 48% and 47% levels reported in 1980 they are still unacceptably high. The study also showed that abuse of alcohol was having a major impact on performance of naval personnel. The table below shows the percentage of sailors reporting a diminished level of performance because of alcohol use over the previous twelve month period. In this case a diminished level of performance is defined as one incident in the previous twelve months when the individual was: (1) late for work or left work early, (2) did not come to work, (3) was drunk or "high" at work. It is important to note that we attribute thje alcohol survey increases to hightened awareness of the problem rather than to a marked rise in the use of alcohol among our personnel.

Personnel Reporting a Diminished Level of Performance due to Alcohol Use

	E1-E5	E6-E9	W1-W4	01-03	04-06
1980	40%	25%	12%	29%	14%
1982	47%	25.3%	19.3%	27.7%	23.3%

Urinalysis testing is now the major means of detecting illegal drug use. In FY 1983 1.2 million specimens were processed. The testing has proved to be scientifically and medically reliable. The courts have found the test results to be solid evidence. We are fully committed to maintaining the accuracy, validity, and reliability of the program and protecting the right of the individuals being tested. Testing procedures are constantly being improved to enhance both reliability and effectiveness. Numerous checks and balances exist in the system to ensure no innocent personnel are identified as drug abusers. All tests which screen positive are given a confirmation test; procedures are carefully monitored and a tight quality control program is in existence. The final and most important check is the individual's Commanding Officer who has the ultimate responsibility to weigh all the factors in a case before making a decision whether or not to pursue disciplinary action. When errors are made the Navy has taken and will continue to take the initiative to correct them.

Alcohol is the number one substance abused in the Navy. We are undertaking a major campaign to bring this problem under control. The heart of this program is to identify and help the shipmate who needs help. Our efforts will consist of a series of new initiatives designed to enhance awareness of alcohol abuse and its consequences, provide alternatives to irresponsible use of alcohol, reduce DWI incidents, and prescribe specific corrective actions to be taken to deter and discourage abuse. In order to implement these initiatives we will pursue actions such as: (1) expanding leadership training and education through increased participation of personnel in the Navy Substance Abuse Prevention Programs (NASAPP), (2) expanding and upgrade recreational alternatives to substance abuse, and (3) evaluating the increased use of breath analysis instruments to identify alcohol use.

Navys substance abuse treatment and rehabilitation policies assure that personnel are provided assistance appropriate to their need. At the command level drug and alcohol abuse awareness programs are conducted by Substance Abuse Coordinators. All officers and sailors are reached by this program. If further help is required professionally staffed Counseling and Assistance Centers are available. In FY 1983 more than 30,800 sailors were seen by counselors and 52,571 personnel participated in the Navy Substance Abuse Prevention Program (NASAPP) which is an intensive 36 hour education course. Personnel with serious drug or alcohol dependency are referred to the residential rehabilitation programs. Last year 11,054 personnel were treated on a residential basis. The treatment program's main objective is to return the sailor to a full duty status as soon as possible.

The Navy believes it has a definite responsibility to deal with these problems and we are actively pursuing programs to eliminate alcohol abuse and illegal drug usage among our personnel. The programs are effective and we intend to expand and intensify our efforts until the substance abuse problem is eliminated.

Compensation Issues
And
Legislative Initiatives

A 600 ship Navy capable of carrying out U.S. maritime strategy depends on our ability to recruit and retain military and civilian personnel. At a time when we are recovering from the severe manpower shortages of the late 1970s and are making a concerted effort to man an expanding fleet it is extremely important that the trust and confidence people have in their compensation system not be destroyed. Several reductions to military and civilian benefits have already been made and others now under discussion, particularly in the area of retirement, would significantly alter the financial outlook for many of our personnel. As a result of this our people are becoming increasingly apprehensive over the stability of their near and long term financial situation. We must not allow changes to the compensation system which would degrade the morale of our personnel or make it more difficult to meet future recruiting and retention requirements.

There are three compensation areas which are causing particular apprehension among our career personnel; retirement, special and incentive pays and bonuses, and the Variable Housing Allowance.

A basic difference between government and private sector employment is the retirement system. To a great extent our career personnel consider this to be their most important benefit. Both our civilian and military retirement systems have been attacked as being extravagant and unaffordable. We oppose any change to either retirement system which will not sustain a viable career force and maintain readiness. Additionally, major changes which would reduce benefits in comparison to the current system must not affect those who currently serve or have already retired. To not "Grandfather" our people would be unfair and raise grave doubts within the career force regarding future benefit stability and possibly necessitate large increases in current pay to keep people from leaving the Service.

Many special and incentive pays and bonuses are also being criticized. These pays are targeted to help meet specific skill requirements or to attract sufficient volunteers to particlularly hazardous or arduous duty. As the economy improves and unemployment rate drops, special pays and bonuses will increase in importance. Any reduction to these programs will have an immediate negative impact on retention rates and bring a corresponding decrease in readiness.

The Variable Housing Allowance (VHA) is being questioned because of its expense. Today, Navy personnel pay housing costs out of pocket 30% in excess of their BAQ. VHA was intended to provide relief for military members living in high cost areas so they would be required to pay no more out of pocket for housing costs than 15% of BAQ. The VHA system operated as intended in FY 1981 and 1982 but has not been allowed to operate as designed in FY 1983 and 1984. Payment of VHA ensures that personnel can compete for adequate quarters in the rental housing market near their duty stations and adjusts the housing allowance total in each area accordingly. The VHA/BAQ freeze currently in effect requires military personnel to absorb an inordinate share of their housing costs and should be removed.

Legislative Authority for several key manpower programs expires on September 30, 1984. To ensure continuance of these vital programs, we seek renewed authority for:

a. Enlistment and Reenlistment Bonuses. The authority to pay enlistment and reenlistment bonuses is essential to our recruiting and retention programs. As explained earlier in the report these bonuses are vital to manning the fleet of the future and have clearly proved their cost effectiveness. I recommend that this authority be extended for a minimum of five years.

b. Aviation Officer Continuation Pay (AOCP). AOCP has proved to be an extraordinarily cost effective means of alleviating the mid-grade aviation officer shortfall. AOCP has saved millions of training dollars for replacement personnel ($482M from FY 1982 program) and has been a major contributor through retention of experienced aviators toward reduction of the aircraft mishap rate. Since implementation of AOCP in 1981, an estimated 31 aircraft have been saved representing a replacement cost avoidance of $930 million. The projected increase in civilian demand for pilots over the next two years makes reauthorization of the AOCP program essential if we are to continue the high aviation officer retention rates necessary to recover from our pilot deficit by FY 1989.

c. Quarters Reimbursement During Overhaul. Authority to reimburse members for quarters when their ship becomes uninhabitable during overhaul and no other government quarters are available was authorized through September 30, 1984. A steady state need exists to cover those unusual instances when government quarters are not available. Navy strongly urges that this program be reauthorized and made permanent.

d. Spot Promotions. A key element of the Navy program to manage the mid-grade officer shortfall is continuation of Spot promotion authority. Spot promotion to the rank of Lieutenant Commander for Lieutenants serving in certain specified engineering billets which call for the higher rank is necessary to keep these critical billets filled with qualified officers. The Navy has investigated management policies other than Spot promotions to meet critical engineering skill needs. Bonus programs are not cost effective, and changes to the promotion system would affect more personnel than necessary. Over more than two decades of use, Spot promotion authority has proved to be the most flexible, cost effective means of meeting these critical skill shortages. As a result legislation for permanent Spot promotion authority is included in the Omnibus Officer Personnel Amendment Act of 1984.

In addition to renewed authority for existing programs, we also seek congressional approval for the following legislative initiatives:

a. Household Goods Weight Allowance Increases. Legislation has been submitted to increase household goods weight allowances for pay grades E7 and above. The increases would be made within the maximum 18,000 pound ceiling now prescribed for federal civilian employees. Many military members are paying out-of-pocket for household goods shipments in excess of the weight allowances now prescribed during government directed travel.

b. Fifth Quadrennial Review of Military Compensation (QRMC) Recommendations on Special and Incentive Pay. Navy fully supports the QRMC recommendations on Special and Incentive Pays. OSD is currently preparing a legislative package for submission to Congress which covers all of the QRMC Special and Incentive pay recommendations.

c. Career Sea Pay. Currently the maximum level of sea pay is reached at the 10th to 12th year of cumulative sea duty depending on a person's pay grade. In order to maintain sea pay as an incentive for people in sea intensive ratings to remain at sea beyond 10 years, legislation, supported by a QRMC recommendation, to increase sea pay rates for individuals with 10 to 20 years of cumulative sea duty is being submitted. Navy strongly requests your support for this proposal.

d. Enhanced Nuclear Officer Continuation Pay. As discussed previously, our most serious problem is the 26 percent shortage of experienced nuclear qualified officers. The Fifth QRMC has recommended an enhanced Continuation Pay (COPAY) which provides for optional 3, 4, or 5 year contracts at $7,000 per year, lump sum payments, with up to four sequential contracts per officer. Authorization of enhanced COPAY, which is included in the OSD QRMC recommended legislative package, is essential to our ability to reduce to the absolute minimum losses from the existing 04 to 06 nuclear officer group, while we grow new inventory by improving and sustaining retention. With the already severe shortage of these mid-grade officers projected to worsen to 33 percent by FY 1989, the immediate need for this program cannot be overemphasized.

e. Nuclear Enlisted Commissioning Program (NECP). For the nuclear officer community to completely recover from current shortages, annual accession requirements must be consistently attained. As mentioned earlier, nuclear officer accessions peaked near goal in FY 1983 and have declined thus far in FY 1984. Existing sources (USNA, NROTC, NUPOC) are unable to meet nuclear officer accession requirements. Additionally, officers accessed through the Nuclear Power Officer Candidate Program (NUPOC) historically have significantly lower retention rates through their department head tour than officers from the Naval Academy and NROTC sources. The Congressionally authorized additional scholarships will enable NROTC to meet its future quota for candidates. However, a new high career continuation source is needed to make up USNA shortages, to reduce reliance on the low career continuation NUPOC source, and to ensure accession requirements are achieved every year. Legislation has been proposed for a Nuclear Enlisted Commissioning Program (NECP). NECP provides pay, allowances, and a four year college scholarship to top enlisted personnel leading to a commission and nuclear officer training. NECP is vital to long term elimination of the nuclear officer community shortages.

f. Omnibus Officer Personnel Amendments Act of 1984. The Omnibus Officer Personnel Amendments Act, currently under review by OMB, contains substantive changes to the Defense Officer Personnel Management Act (DOPMA). Two provisions of major importance to the Navy are: (1) an increase in the maximum number of Commanders and Lieutenant Commanders that may be serving on active duty; and (2) an increase in the ceiling on the number of Regular officers. Both changes are needed to support the requirements of an expanding Navy and are critical to the effective management of the Navy's officer corps.

g. Reserve Officer Personnel Management Act (ROPMA). A Defense Department Joint-Service Study Group, has proposed legislation to modernize the laws governing Reserve officers and make them consistent with those governing active duty officers. This legislation was drafted in response to a request from Congress in the House report on the Defense Officer Personnel Management Act (DOPMA). The proposed legislation provides a uniform framework within which each service can manage its reserve component in order to meet its own specialized needs.

h. Flag Officer Legislation. The OSD submitted Comprehensive Flag and General Officer legislation provides a uniform basis in law for the control of flag and general officer strengths. Most significantly for the Navy, it would provide for better management through increased stability in the personnel management of Flag Officers.

Your timely consideration of this important legislation is requested. In the interim, temporary continuation of Navy's FY 1984 authorization for three vice admirals over statutory limitations and exclusion of the position of Director, Intelligence Community Staff (CIA) from flag officer number accountability is essential for Navy to meet its senior management needs.

i. Basic Pay Adjustment Mechanism. The President's Military Manpower Task Force has endorsed linkage of military pay adjustments with the change in the Employment Cost Index (ECI). Adoption of the ECI, a national indicator of private sector wage growth, will add a much needed element of stability to our compensation system as well as provide equitable, acceptable treatment to both taxpayers and military members. It will establish a direct link to average blue collar wage growth in the country, where nearly 70 percent of the skills measured by the Index match military skills.

j. Tax-Free Allowances. Navy is deeply concerned over the possibility of BAQ and VHA becoming "defacto" taxed as a result of an Internal Revenue Service policy interpretation. We request full support of the Congress in amending the Tax Code to protect the tax exempt status of housing allowances and thereby avert what amounts to an indiscriminate reduction of regular military compensation for our homeowners.

Conclusion

The FY 1985 budget is part of a carefully thought out plan for achieving the maximum degree of personnel readiness with available resources. The manpower, personnel, and training programs are sized to provide us the capability to meet today's requirements while building toward the 600 ship Navy we will have in 1989. Great improvements have been made in our personnel posture over the last three years and we must maintain this forward momentum. The recruiting and retention environment in which we achieved these improvements appears to be changing in ways which will make it increasingly more difficult to continue meeting our manpower requirements. The FY 1985 budget attempts to keep our personnel programs abreast of these changes so that we can achieve in the most cost effective manner the force structure necessary to man and operate the 600 ship Navy in a high state of combat readiness.

The Navy is committed to using its manpower resources wisely and cooperating with Congress to ensure our collective goals are achieved. I urge your support for our FY 1985 budget request and look forward to working with you in the future.

Senator Jepsen. Thank you, Admiral.

General Peek, Deputy Chief of Staff for Manpower and Personnel for the Air Force.

You may proceed, General.

STATEMENT OF LT. GEN. KENNETH L. PEEK, JR., U.S. AIR FORCE, DEPUTY CHIEF OF STAFF FOR MANPOWER AND PERSONNEL

General Peek. Thank you, Mr. Chairman.

I, too, am privileged to be here today. I thank you for giving us the opportunity to talk about the Air Force manpower personnel situation.

We have had some unparalleled success in the past couple of years. Our recruiting and retention is the result of the fine support we have received from this committee.

As we look to the future, we do have challenges. We see the economy changing and the unemployment rate declining. We scrub our requirements carefully to limit our costs. For example, personnel costs in the Air Force remain below the 1974 levels in 1985 dollars. We have cut 26,000 people from our original 1985 program. We have cut our selective reenlistment bonus funding by 50 percent since 1982. We have cut our PCS moves by 50 percent since 1974 and we have reduced basic military training attrition by 18 percent in the past 2 years.

We are proud of our accomplishments in the Air Force. The complexion of the Air Force and all armed forces has changed over the years. We used to equip the man; today we man the equipment.

Many of the needed programs that have been approved by Congress to meet our national objectives, such as KC-10, ground-launched cruise missiles, F-15, F-111, have come on line.

Now we must provide the most important element of these new weapon systems: Manpower.

We need a 2.6-percent growth to properly man these systems in 1985. The active growth would be 2.6 percent compared to 5 percent in the Air Reserve Forces.

We are quite proud of the accomplishments that we have had in getting missions and functions to the Air Reserve Forces and will continue to do so in the future.

The next 5 years we will see the Air Reserve Forces growing at a rate twice that of the Active Force.

Closely related to this subject is our need to man the new weapon systems going into Europe. Such as the GLCM, F-16 conversion, EF-111, et cetera.

The manpower ceiling has reduced our overall readiness in Europe.

Third, despite new system and increasing need for review and oversight to properly supervise, lead, and direct new missions such as space, the B-1, the small missile, we have the smallest number of general officers supervising Air Force activities since 1952. We need relief in this area.

In my visits to our bases and in talking with our people, the following subjects continue to arise: interest in fair and equitable pay, the status of the variable housing allowance freeze, the stretch of the aviation career incentive pay, the continued out-of-pocket cost associated with PCS moves, the potential IRS tax ruling regarding homeowners, and the stability and integrity of the retirement system.

Sir, in conclusion, I would like to say we are sensitive to the cost of our programs. We are proud of our success. We scrutinize them carefully.

What we need is crucial to the readiness of the U.S. Air Force.

Thank you very much. I will be glad to respond to any questions.

[The prepared statement of General Peek follows:]

Prepared Statement of Lt. Gen. Kenneth L. Peek, Jr., Deputy Chief of Staff, Manpower and Personnel, U.S. Air Force, on Active and Civilian Manpower

FY85 AF/MP POSTURE STATEMENT

OVERVIEW

Mr. Chairman, members of the Subcommittee, I welcome this opportunity to discuss Fiscal Year 1985 Air Force manpower requirements and personnel programs. Over recent years, we have been able to attract and retain the proper mix of people to sustain that force authorized by Congress. With the much appreciated support of Congress, we have been able to compensate our people better and enhance their overall quality of life. This factor, coupled with internal leadership and management efforts and improved public appreciation for the military, has resulted in unprecedented recruiting and retention success. The Air Force looks forward to working with the Congress again this year and solicit your support for those programs and initiatives which will maintain the momentum of the past three years and continue to strengthen readiness.

The Air Force is proud of its recent, deliberate efforts to streamline people programs to reach the best possible balance between personnel readiness and fiscal economies and efficiencies. For example, our Management Engineering Program which limits manpower growth to only that required to sustain readiness levels has intergrated the efficiency review concept into the standards setting process to form the Air Force Functional Review program. Concurrently, we have taken deliberate steps to increase the roles and missions of the Air Reserve Forces (ARF) as a means of satisfying wartime requirements without further increasing the active duty end strength levels. The Air Reserve Forces grow 5 percent over FY84 levels (individually, the Air National Guard increases 3.6 percent and the Air Force Reserve increases 7.1 percent). Further, the Air Reserve Forces grow at twice the rate of the active force through the FYDP period. Our cost-per-recruit is about 44 percent below the DoD average and our recruiter productivity rate exceeds the DoD average by over 50 percent. This year's request for reenlistment bonus funding is 56 percent lower than in FY82 and includes 28 fewer skills -- a result of congressional action to convert to an installment method of payment coupled with our aggressive management in response to improving retention (see fig 1). We have reduced the number of permanent change of station (PCS) moves by 50 percent since 1974. Also, the time between moves has doubled, resulting in a much slower growth rate (see fig 2). While over the last two years, we have placed additional emphasis on quality to ensure that those individuals entering the Air Force are carefully screened on a "best qualified" basis. Our efforts are paying off: Basic Military Training attrition from FY82-FY83 dropped 18 percent and involuntary separations among first-term airmen fell 14 percent during the same period. We have also implemented new policies and procedures to assist commanders in making decisions regarding reenlistments and promotions. These initiatives have worked well and we expect them to continue paying dividends in the future. Taken together, these initiatives have resulted in cost efficiencies while at the same time enhancing overall readiness. Using constant FY85 dollars, programmed personnel costs in Fiscal Year 1985 will be less than in Fiscal Year 1974 and we are committed to continue to look for ways to stabilize personnel related costs (Fig 3).

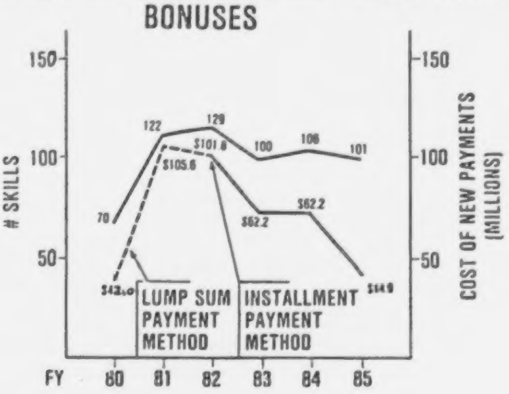


FIG 1

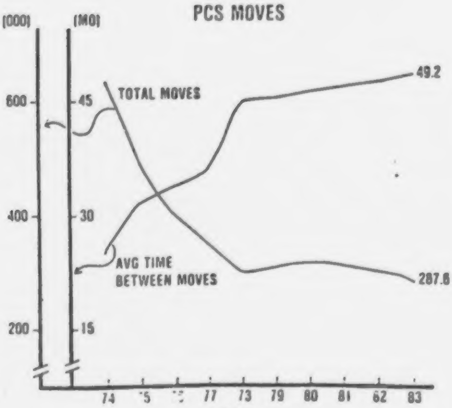


FIG 2

TOTAL AIR FORCE PERSONNEL COSTS VS. AIR FORCE BUDGET CONSTANT FY85 DOLLARS

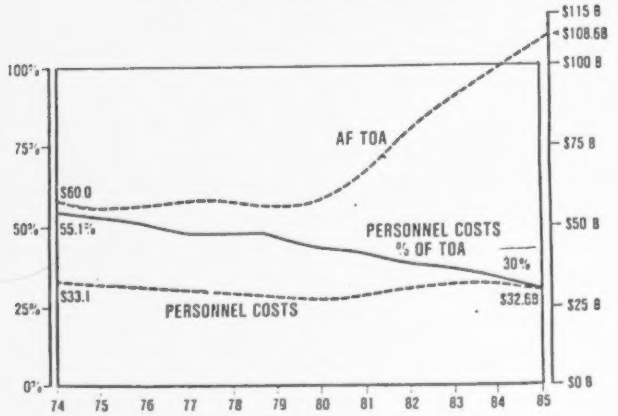


FIG 3

This year's Air Force budget, as in the past, requests funding for those essential programs needed to man the force. Budget and program reductions in recent years have generally applied equally to all Services. Such "across-the-board" reductions do not recognize service-unique leadership and management efforts aimed at reducing or stabilizing personnel related costs. As such, we are concerned over the potential long term impacts these cuts may have on the Air Force's ability to recruit, train and retain the right numbers and kinds of people. Our people programs are tied directly to the mission. Thus, inadequate funding for manpower resources and personnel programs will directly impact on Air Force readiness.

Our ability to attract and retain high quality people will be seriously challenged in the next several years. Those conditions which lead to the current recruiting and retention successes are beginning to change. Falling unemployment rates, the improving economy, and a declining youth cohort group are the major reasons for our concern. After peaking at 10.7 percent in December 1982, the unemployment rate has fallen 2.7 percentage points -- the biggest annual decline in 30 years! Unemployment among 18-19-year-old males (our primary recruiting market) has fallen twice that fast and is now under 20 percent for the first time since the fall of 1981. We believe FY85 will signal a change from the trends of recent years. High unemployment rates will no longer cushion the impact of attacks on essential entitlement programs such as: the retirement system and Aviation Career Incentive Pay (ACIP); the Variable Housing Allowance (VHA); tax liability on housing allowances; and reimbursements for out-of-pocket moving expenses. The full impact the falling unemployment rate will have on our ability to recruit and retain people is unknown. We do know that a direct relationship exists between unemployment rates, pay that keeps pace with the private sector and reenlistment rates (Fig. 4). As economic conditions continue to improve, we expect a corresponding drop in reenlistment rates. Unless positive steps are taken to counter the impact of lower unemployment rates, the Air Force and all of the Services could be faced with another "hemorrhage of talent" similar to that experienced in the late 1970s.

INFLUENCE OF PAY AND UNEMPLOYMENT RATE ON REENLISTMENTS

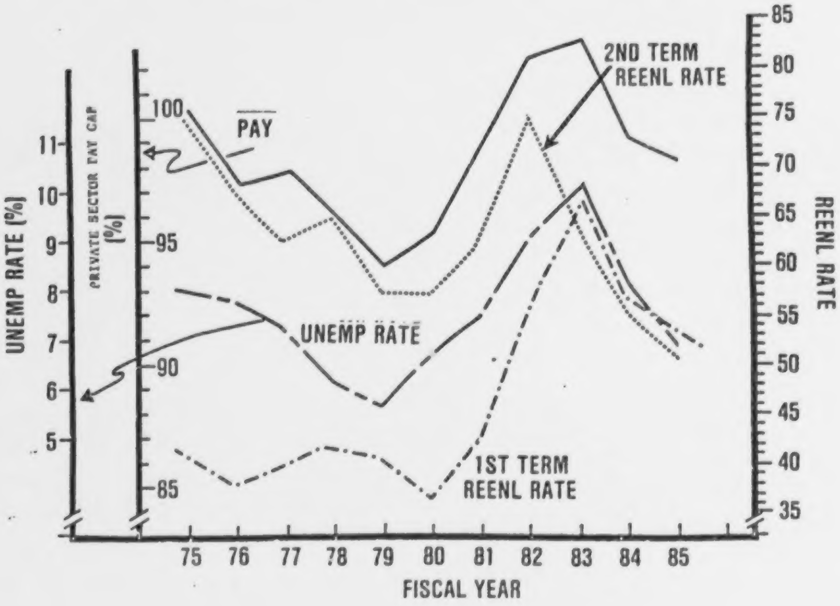


FIG 4

The Manpower and Personnel segment of the FY85 Air Force budget has been developed to ensure a balance between the levels of readiness required to support the Air Force's growing worldwide commitments and the most efficient and productive use of our limited resources. FY85 priorities and initiatives fall into three areas:

1) End strength increases for the Active, Civilian, National Guard and Reserve components in direct support of growing Air Force roles and missions;

2) Programs and initiatives which provide adequate compensation and quality of life for our people and their families and help to sustain retention rates and build experience levels within the career force; and

3) Other programs and initiatives which provide the flexibility and capability needed to manage and respond to near-term requirements associated with recruiting, retention and overall force sustainment.

The following provides a brief outline of our FY85 initiatives:

Manpower Requirements

The FY85 end-strength request reflects less growth than originally programmed in the FY84 President's Budget. We are requesting a 2.6 percent (15,700) increase in active military manpower; a 1.7 percent (4,200) civilian increase; an increase of 3.7 percent (3,800) in the Air National Guard; and the Air Force Reserve is programmed to grow by 7.1 percent (4,900). These increases are tied directly to weapon systems or mission essential, direct support functions needed to maintain readiness.

The FY84 Authorization Act denied 18,100 of our requested 20,100 build. This constraint caused deferrals and reductions in programs which directly impact Air Force readiness. We cannot overemphasize the fact that end-strength reductions without associated program reductions further erode the support base. The Air Force currently has a military manpower shortfall of 21,000 spaces. This shortage has contributed directly to: 1) lack of an adequate weapon systems maintenance and logistics support base, 2) deterioration of facilities and equipment due to lack of periodic maintenance and 3) higher operating costs generated by the lack of maintenance personnel. In view of this situation, it is even more imperative that our FY85 end-strength request be fully funded. This request is tied directly to programmed growth in weapon systems and missions. Over the next five years, we have programmed 100 B-1Bs, 223 "Peacekeepers", an additional 50 C-5Bs, 32 KC-10s, 540 Air Launched Cruise Missiles, 416 Ground Launched Cruise Missiles and three tactical fighter wings. Increased manning will be required to field, operate, maintain and support these weapon systems. Without it, we will be faced with the possibility of unmanned weapon systems, unsupported or deferred missions and delayed force modernization -- all of which could result in degraded combat readiness.

The European troop ceiling continues to complicate the task of force planners and theater mission commanders in executing overall national military strategy. We solicit the Congress' support in eliminating this ceiling so that those charged with the responsibility to employ forces in Europe can do so effectively. The Air Force also supports elimination of civilian end strength ceilings as a necessary improvement in management efficiency of the force. Work load requirements, coupled with dollar limitations, ensure utilization of the least costly form of manpower.

Also within the manpower area, we cannot over-emphasize the crucial importance we place again this year on obtaining permanent grade relief for our general officer force. The Air Force today has 100 fewer generals than we did in 1968, and our present, Congressionally imposed ceiling of 343 is the fewest number of generals authorized in 32 years. To provide the necessary senior leadership and mangement expertise to properly prepare the Air Force for the complex national security mission of the 21st century, we must have positive, long-overdue action (this year) on the Comprehensive Legislation sent to Congress in March 1982 and re-submitted last May. We are still waiting for the first hearings to be held. In the interim, we solicit your positive response to our appeal for grade relief. As a minimum this year, the Air Force asks Congress to extend (or make permanent) the exemption granted in the FY84 Authorization Bill, permitting us to continue to assign a four-star general as commander of one of our major overseas combatant commands.

COMPENSATION

Adequate compensation and quality of life issues represent the second major area of concern. First, military pay must be fair, equitable, and keep pace with the private sector. Although in October 1981 military pay was restored to levels which approximated those in the private sector, the 4 percent pay caps in FYs 83 and 84 have created a situation where military pay now trails private sector pay. The 5.5 percent pay raise proposed in the FY85 budget is a positive step in narrowing the gap.

The military retirement system is the single most important factor in an individual's decision to remain in the Air Force. The retirement system has three primary objectives: 1) it functions as a force management tool which insures a vigorous and experienced force capable of meeting worldwide defense needs; 2) it provides for mobilization augmentation by ensuring that a large standing resource of experienced people is immediately available for involuntary recall to active duty; and 3) it provides long term security by recognizing faithful military service under unique, demanding and often dangerous circumstances. Recently, the retirement system has been under constant attack and numerous piecemeal changes have been enacted. However, those changes have failed to recognize that, unlike civilian programs, the military retirement system is not an old age pension -- it is a system that recognizes the unique demands of military service and provides the security and stability that our people have earned and deserve.

Permanent Change of Station (PCS) Reimbursements continue to be inadequate. PCS moves are generated by worldwide Air Force commitments. Unfortunately, our people incur substantial "negative compensation" each time they make a PCS move. A 1983 Air Force survey showed that, exclusive of unreimbursed home ownership costs, for every $4 spent on a PCS move, the government reimbursed only $1. In addition, the survey indicated that over half of all members had to borrow or withdraw money from savings to meet routine PCS expenses. We ask the Congress to support our initiatives designed to relieve (in part) the growing financial burden our people experience during a PCS move.

Changes in the Variable Housing Allowance (VHA) Program in FY84 have placed further financial demands on Air Force people -- particularly in high cost areas. VHA was implemented in October of 1980 to help members acquire appropriate housing in the continental United States and to eliminate disparities in standards of living resulting from assignment to certain high cost areas. However, recent reductions and ceilings placed on VHA have begun to reverse the gains made in this area over the last three years. We are concerned that these housing allowance restrictions could negate measures to improve quality of life for service people, add to the growing reluctance to move, and ultimately undermine our retention efforts.

The Internal Revenue Service (IRS) Proposed Tax Ruling, which would apply to military housing allowances, is a special interest item this year. This proposed ruling would reduce a military homeowner's valid housing deductions (real estate tax, interest, etc.) by an amount equal to non-taxable housing allowances. This would be tantamount to a four to nine percent pay cut. The Air Force along with the other Services, the JCS, and OSD all strongly oppose the proposed ruling because it will create a severe financial burden for some 300,000 military homeowners. This ruling ignores the fact that since 1965 Congress has included the tax advantage in basic military compensation, which is the military equivalent of a civilian salary. Congressional involvement may be needed.

OTHER FY85 INITIATIVES

The final area addressed in this year's budget request contains a variety of programs and initiatives which provide the Air Force the management flexibility and responsiveness needed to: 1) attract and retain a sufficient number of quality people and 2) utilize those people in a manner which supports mission requirements.

Our recruiting goals in FY85 include 69,800 enlisted personnel and 5,200 officers. As already mentioned, the improving economy has begun to generate strong competition from the private sector for technically oriented people. The declining youth market compounds the problem. We strongly urge Congress to preserve the gains of the last several years by supporting our FY85 recruiting and advertising request which includes program growth of only one percent.

The Funded PCS Program responds to the need for worldwide positioning of people to support the Air Force mission. The PCS account is programmatically driven. Thus, there is almost no flexibility to accommodate arbitrary reductions. Non-programmatic cuts in dollars and/or moves, without reducing the programs those moves support, adversely affect mission accomplishment, readiness, morale, retention, and job performance. As indicated earlier, Fig 2 reflects our responsible and aggressive management of the PCS program since 1974.

Bonus Programs directly affect our ability to place the right people in those skills where they are most needed and then keep them there. The Selective Reenlistment Bonus (SRB) is a monetary incentive which increases reenlistment rates and encourages retraining into critical skills to help close the gap between inventory and requirements. The Enlistment Bonus (EB) is a recruiting incentive which encourages recruits to complete training in only four difficult-to-recruit skills that have high aptitude requirements or are extremely hazardous. The Air Force's careful management of these programs has resulted in cost efficiencies while significantly increasing retention and experience levels in certain critical skills. Authority for this program expires 30 September 1984. We urge Congress to extend this authority so the Air Force may continue to pay Selective Reenlistment and Enlistment Bonuses beyond the September deadline.

The Air Force is concerned over the recent challenge directed at Aviation Career Incentive Pay (ACIP). Aviator training costs represent a sizable investment on the part of the government. ACIP provides a strong influence on the career decisions of our aviators. Denial of this entitlement, even if targeted at more senior personnel, will reverberate throughout the force, negatively impacting retention among younger officers. Reductions in this program would provide very small, short-term savings which will be exceeded several times over by increased training costs. We request congressional support in our effort to diffuse attempts to reduce ACIP.

Accompanied tours for Ground Launched Cruise Missile (GLCM) personnel is also a priority for FY85. With final acceptance of the GLCM system by several of our NATO allies, it is now even more important that we move quickly to establish the facilities necessary to accommodate the families of GLCM people in Europe.

Although the strengthening of our Nation's defense remains our major concern, we are at the same time sensitive to the rising cost of defense. The Air Force manpower and personnel community is proud of its ability to effectively manage people resources in a fiscally constrained environment while at the same time strengthening the readiness of the force. In the preceding pages, we have provided a brief outline of our priorities for FY85. The following pages address, in more detail, our manpower and personnel program requirements for FY85.

II. AIR FORCE MANPOWER REQUIREMENTS FOR FY85

Air Force manpower levels reflect requirements in support of the weapon systems, readiness initiatives and related programs specifically intended to counter the threat and implement national military policy. Manpower is a resource, not a program. As such, it should not be treated in isolation from the programs it is intended to support when establishing ceiling limitations. The Air Force has programmed a balanced mix of active military, civilian, Air National Guard and Air Force Reserve personnel. Although total Air Force manpower levels remain below those of only a decade ago, the mix of forces has remained relatively constant and reflects an effective balance of forces necessary to carry out both peacetime and wartime missions. An active contracting-out program combined with our aggressive pursuit of increased efficiency through the Air Force Productivity and Functional Review programs has helped to temper our overall growth rates. The Air Force remains the leader within the Department of Defense in the use of contracting-out as a viable alternative to an in-house work force. In an effort to limit active end strength growth to minimum essential peacetime levels, new and expanded missions have been added to the Air Reserve Forces (ARF).

ACTIVE DUTY MILITARY MANPOWER

A military end strength of 610,200 requested in the FY85 Budget represents an increase of 15,700 (or 2.6 percent over FY84 levels) but 26,200 less than originally programmed for FY85 in the FY84 Budget request. The FY85 manpower request reflects programmatic builds in direct support of increases in and modernization of tactical force structure such as the Ground Launched Cruise

Missile and the tactical fighter force; increases in other wartime readiness initiatives such as medical support, air base ground defense, and aerial port; improved command, control and communications, and intelligence activities; and training to support the increased force. However, not all mission changes will require additional active manpower because we have taken a number of initiatives that will save manpower spaces or transfer the requirement to the ARF. For example, we are transferring C-5s to the reserves. This action, coupled with the Titan II phasedown, adjusting KC-135 and KC-10 basing actions, and conversion of F-4s to F-16s all result in reductions in active manpower requirements in FY85. The result of these and programmed future actions is reflected in Figure 5. We take pride in the fact that our force levels are determined through a regularized process which identifies military essential requirements in support of wartime taskings and which incorporates all available economies and efficiencies. Our engineered manpower standards ensure optimum use of the manpower resource and accurate adjustments to accommodate changes in workload and requirements. An example of a recent management initiative aimed at improving overall utilization of manpower was the integration of efficiency review concepts into the standards setting process to form the Air Force Functional Review Program. This program increased emphasis on eliminating unnecessary or inefficient work practices and enhancing productivity.

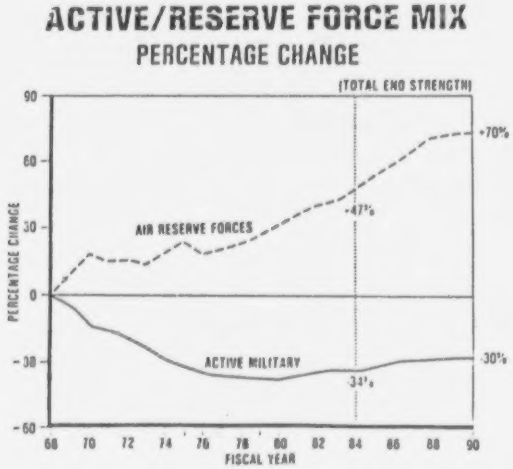


FIG 5

ELIMINATION OF THEATER CEILINGS

Theater ceilings, such as that applied to the NATO European troop level, continue to complicate the task of force planners and theater mission commanders in executing overall national military policy. When such ceilings are imposed without considering requirements to counter the threat, overall accomplishment of the mission is jeopardized. To meet the FY84 European troop level, the Air Force removed some tactical aircraft, denied activation of a RED HORSE civil engineering squadron, reduced aircraft battle damage repair capability, downgraded a base to caretaker status, and reduced the number of authorizations supporting the drug abuse control program in Europe. Reductions to meet a possible FY85 ceiling would be even more severe, and represent a significant detriment to theater capability.

CIVILIAN MANPOWER

In FY85, the Air Force requests civilian manpower increases of 4,200 (or 1.7 percent above FY84 levels) to a total of 253,600. This growth directly supports increased flying hours, oversight of spare parts acquisition, ARF military (civilian) technicians, aircraft procurement and other logistics support. The civilian manpower program, which represents 20 percent of the total work force, is an essential element in the Air Force's ability to support and sustain wartime requirements. The Air Force continues to use civilian manpower in those positions which are not military essential, that is, in positions not requiring combat or direct combat support. Included in our civilian end strength figures are ARF military technicians, as mentioned above, who are members of the Air National Guard and Air Force Reserve serving in their units on a full-time basis as dual-status civilians in peacetime, but who become military upon mobilization.

MANAGEMENT HEADQUARTERS

A small portion of the Air Force, less than two and one half percent of the total workforce, is assigned to activities which have been collectively termed "mangement headquarters." This small, but highly visible, group of people comprise the command and staff elements of Headquarters USAF, the major Air Commands, and some smaller headquarters activities. Since 1968, our internal management headquarters structure has declined by 55 percent while the total Air Force population has gone down 33 percent. Now, in conjunction with the FY84 budget deliberations, Congress has directed a five percent reduction in management headquarters throughout the Department of Defense. This occurs at the same time that we are asked to increase our management and oversight efforts. This also occurs when our missions and weapons are growing not only in number but in complexity as well. The Air Force will achieve its share of the reduction but the excess has long ago been stripped away. The reduction will hurt in several ways. First, our responsiveness both up and down the chain will diminish. Second, required review and oversight functions will be deferred or delayed. Finally, and most importantly, managers will miss opportunities to do things more efficiently. It is against those costs that the savings of a reduced management staff must be compared. The Air Force does not want to build its headquarters; in fact, we have experienced a self-imposed no growth policy since FY81. We are concerned, however, that this and any further reductions will diminish our management effectiveness and ultimately our combat capability.

AIR RESERVE FORCES (ARF) MANPOWER

Increased manpower levels for the ARF in FY85, as in FY84, result from continued force modernization and new and expanded missions. The Air National Guard increases by 3,800, (3.6 percent), to support growing numbers of F-4 and C19 aircraft, increased flying training, air base ground defense and heavy civil engineering. The Air Force Reserve increases by 4,900 (7.1 percent) as it gains a C-5 airlift mission, continues to modernize its force through conversions to C-130 and F-16 aircraft, increases its KC-10 associate program and the number of people in aerial port, medical, and civil engineering functions. Increases are also required in Individual Mobilization Augmentees (IMA) to offset wartime manpower shortfalls.

CONTRACTING

The Air Force has long considered contracting-out, under the auspices of OMB Circular A-76, to be a viable and efficient means of accomplishing certain workloads. As a result, approximately 78,000 man-years are under contract (65,000 man-years in the CONUS). Air Force cost comparison programs have responded to the renewed OMB/OSD emphasis on contracting. Since 1979, approximately 17,000 Air Force civilian positions have been identified for cost comparison and possible conversion to contract. We continue to support a moderate contracting-out program but advocate caution to ensure each activity is critically examined according to its wartime role to prevent degradation of our war fighting capability.

GENERAL OFFICER ISSUES

Since 1951, the Services have been constrained by a congressionally imposed ceiling on general and flag officers. Last year, in order to return a major command to its authorized four star level, a special exemption from Congress was required. In the absence of permanent grade relief, this exemption must be continued so that a critical Commander-in-Chief (CINC) billet will remain at the grade of General. With our present general officer strength ceiling, we are unable to fill important positions in operations, intelligence, transportation, rescue and recovery, and the Civil Air Patrol - all previously filled by general officers. Downgrading a position from general officer to Colonel sends a serious signal to the subordinates, command or community affected. Presently, we have over 200 validated positions which, based on our present ceiling, will never be filled by a general officer.

Comprehensive legislation on General and Flag Officer Management was first forwarded to Congress in March of 1982. No action has yet been taken to address that proposal. The comprehensive legislation will establish much of the management framework needed to control and monitor general officer matters at various levels of the Defense Department. We urge Congress to act on that legislation this year. Until relief is provided, the exemption granted last year must be extended to permit the continued assignment of a four-star general as commander of one of our major oversea combatant commands.

III. THE AIR FORCE FY85 PERSONNEL PROGRAM

A. COMPENSATION PROGRAMS

MILITARY PAY

In January 1972, military pay levels were comparable to the private sector (Professional, Administrative, Technical, and Clerical -- PATC). However, by 1979, military pay had fallen approximately 7.8 percent behind the private sector as measured by the PATC. Only after the large pay increases of FY81 and FY82 did pay once again approximate private sector levels. On 1 October 82 and 1 January 84 military pay was capped, putting military members behind private sector wage growth. In FY85, the Administration is asking for a 5.5 percent military pay raise, which is greater than the projected 4.7 percent increase in private sector pay. Therefore, despite the two pay caps, we expect to meet our recruiting and retention goals in FY85. We must ensure that military pay keeps pace with private sector wage growth because, as experience has shown, service members will opt to pursue civilian careers as the economy continues to improve and increased demand occurs (in the private sector) for those with highly transferable skills. These losses will degrade readiness.

Although the FY85 budget will not entirely cover the ground loss since 1981, the projected 5.5 percent military pay increase is a positive step in the right direction. The nation should provide its military people a standard of living commensurate with the demands and uniquenesses of military service. To accomplish this, additional steps are required in the outyears to further narrow the gap.

VARIABLE HOUSING ALLOWANCE

The Variable Housing Allowance (VHA) program was created to help members afford an acceptable standard of housing in the continental United States (CONUS) and to eliminate disparities in standards of living depending solely on where an individual may be assigned. By law, VHA is the difference between (1) the average cost of housing in some 350 areas in the CONUS and (2) 115 percent of the Basic Allowance for Quarters (BAQ) entitlement. Congress capped the FY83 VHA program, requiring our people to absorb housing costs equalling 19.4 percent of their BAQ (annually about $700 per person).

The FY84 DoD Appropriation Act cut $100M ($30.0M AF) from the VHA rates which were in effect on 30 September 1983. In addition, the Act limits VHA plus BAQ to $800 for members with dependents and to $600 for those without dependents. This cut means that Air Force members will incur annual out-of-pocket housing expenses of about 30 percent of their BAQ. Figure 6 shows the impact of these congressional actions. Unless this trend is reversed the Services will once again face the risk that talented people will leave.

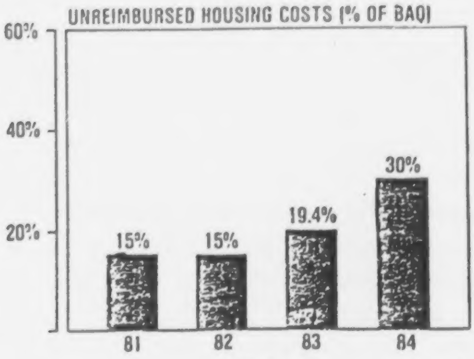


FIG 6

Tax Exempt Status of Military Housing Allowances.

The Treasury Department (IRS) is currently reviewing a proposal which would reduce deductions for housing expenses of military personnel by an amount equal to their non-taxable housing allowances.

This proposal ignores the fact that since 1965 Congress has included the tax advantage in basic military compensation, which is the military equivalent of civilian salary. Taxation of these allowances would result in an immediate pay cut of four to nine percent and seriously erode basic military compensation. This decision would result in an increase of tax liability for some 300,000 military homeowners, ranging from $800 - $4,000 annually. We believe members faced with the prospect of unaffordable or unacceptable housing would retire or separate in lieu of a transfer. Additional revenue generated from this ruling will not be sufficient to offset its adverse impact. Tax indexing alone would require more dollars (than the revenue generated) to provide equivalent after tax income; the demand for military family housing units would also increase. The non-taxable status of military allowances has been clearly defined and established by both congressional action and court decisions. We may need your assistance.

MILITARY RETIREMENT PROGRAM

The fundamental purpose of the military retirement system is to ensure force readiness by encouraging the right numbers of skilled, dedicated people to remain in the Service for a career. It ensures that a large, standing pool of skilled, experienced people will be available to meet the Nation's wartime requirements. Although specific provisions vary, all retirees may be recalled in the time of a congressionally declared war or national emergency -- Air Force actively manages a resource of 200,000 retirees who may be involuntarily recalled in the event of war. The system also provides the foundation for strong institutional supports which are necessary to partially offset the extraordinary demands of a military career. More importantly, the retirement system is the most powerful factor in the retention equation. Surveys of Air Force people have consistently shown that the retirement program is the number one factor in the career decision of equation. Surveys of Air Force people have consistently shown that the retirement program is the number one factor in the career decision of enlisted personnel and officers. Unlike most retirement programs, military members must remain in service for at least 20 years to receive any benefit. There is no vesting, lump-sum payoff or reduced annuity for service short of retirement eligibility that would provide an incentive for early separation.

Congress should also recognize that military retirement has already been reduced signficantly based on changes enacted since 1980. For example, "Hi-3 averaging" was enacted in 1980 and reduces the lifetime retired pay for those who entered active duty after 7 September 1980 by approximately ten percent. The "50 percent COLA cap", imposed for FY83 thru FY85, could reduce lifestream earnings of current retirees by as much as 5 to 12 percent (depending on inflation). The current proposal being considered by Congress to permanently limit cost of living adjustments to retirement pay would further reduce the value of military retirement and could cause serious retention problems within the mid-career force of officers and NCOs.

A number of groups have examined the retirement system and have made recommendations for changes. The Air Force believes the current system serves us well. Changes to the present system must result from a deliberate process based on readiness requirements, with full understanding of the potentially devastating impact on recruiting, retention and readiness. Changes must produce a force equally as capable as the one we now have. It is essential that we maintain a retirement system that meets our defense requirements and remains responsive to the men and women in uniform.

REIMBURSEMENT FOR PERMANENT CHANGE OF STATION (PCS) MOVES

The lack of adequate PCS reimbursements is one of the most critical personnel issues facing the Air Force today. A 1983 Air Force survey revealed that, exclusive of homeownership costs, for every $4 individuals spent on a PCS move, the government reimbursed only $1. This translates into a median unreimbursed out-of-pocket cost of $1519. As a result, over half of our people needed to borrow or withdraw from savings to meet PCS expenses incurred as a result of a government directed move. To further aggravate this situation, many members incur the following out-of-pocket costs which are additive to the $1519 median previously discussed:

-Loss on sale of automobile (30% of respondents moving overseas chose to sell their car)	$1,135
-Depreciation on automobile while in storage (15% of respondents moving overseas stored their car)	1,114
-Cost of selling a home (23% of respondents were home owners)	5,250
-Cost of buying a home (" " ")	7,625
-Members forced to give up monthly net pay from second job (11% of respondents)	290
-Civilian spouses forced to give up monthly net pay from job (35% of respondents)	588

To help reduce the high cost of making a PCS move, we strongly support increasing the PCS mileage allowance from 13¢ to 15¢ per mile in FY85. This increase would achieve parity with the federal civilian employees who were authorized 15¢ per mile in October 1982. Also included in the FY85 budget is a proposal to increase the household goods (HHG) weight allowances for members in grades E-7 and above by 500 to 2,500 pounds. This initiative also proposes that the current HHG weight limitation of 13,500 pounds, as imposed by DoD Appropriation Acts since 1966, be raised to 18,000 pounds to accommodate the proposed HHG weight allowance increases. The 13,500-pound ceiling also creates a significant disparity between military members of the DoD uniformed services and their non-DoD military counterparts. The same 13,500 pound limitation applies to DoD federal civilians and is similarly inequitable in contrast to the 18,000 pounds authorized for federal civilians in other government agencies.

We also propose the following additional PCS improvements which require funding:

-Funding of the 4-day CONUS Temporary Lodging Entitlement (TLE) which was authorized by Public Law 97-60 in 1981. This entitlement is needed to reimburse members for food and lodging expenses incurred at the old and new duty locations. A significant portion of out-of-pocket PCS costs stem from the absence of this entitlement.

-Action to correct the inequity which our enlisted members endure during a PCS move (and during temporary duty (TDY)). Since FY82, the DoD Appropriation Acts have required enlisted members to forfeit a portion of their per diem equal to their Basic Allowance for Subsistence (currently $4.87 per day) during PCS and TDY travel. This inconsistency adversely impacts morale and should be corrected.

PCS costs is clearly an area where we have failed to adequately take care of our people. We strongly urge the Congress to fund these programs and reduce the financial burden on our people and their families in FY85.

B. AIR FORCE RECRUITING AND RETENTION

Active Air Force recruiting and retention rates are the best they have been during the past decade. However, despite recent successes, we still suffer from low experience levels and shortages in some critical, sortie-generating skills. As we attempt to solve these shortages, the effect of an improved economy and lower unemployment rates (particularly in skilled labor markets where unemployment is very low) remains an uncertainty. Both of these factors have affected recruiting and retention in the past. We know that as unemployment falls, the Services, and particularly the Air Force, will find it more difficult to recruit and retain high quality people.

RECRUITING

Officer Recruiting: While the FY83 officer recruiting environment remained strong, the Air Force still has some shortages and low experience levels. We anticipate that pilot, navigator and overall engineer shortages will be eliminated by the end of FY84. However, the electrical engineer shortage will remain for the foreseeable future and our aeronautical and astronautical shortages will not be rectified until the end of FY85. Although we have made substantial progress, there is a need to continue to work aggressively to rebuild the experience lost during the "hemorrhage of talent" in the late 70s (Fig 7).

OFFICER SHORTAGES

END FY	PILOT	NAVIGATOR	ENGINEER
1979	1302	39	969
1980	1067	346	1008
1981	1107	576	1037
1982	926	535	842
1983	303	25	509
1984 (Projected)	0	0	0 (Overall)

Fig 7

Enlisted Recruiting: The Air Force achieved its FY83 enlisted recruiting goals and is well on its way to achieving the FY84 goal. Although the FY85 enlisted recruiting objective increases by 14 percent, in terms of real growth our recruiting budget requests an increase of only one percent (Figure 8). The increased number of prior service recruits needed in FY85 responds to the need to fill mid-level noncommissioned officer shortages in certain critical skills. However, recruiting these people will be more difficult because of anticipated competition from the private sector for individuals with similar qualifications and a declining recruiting market due to recent, favorable retention trends.

ENLISTED RECRUITING OBJECTIVES

Objective	FY84	FY85
Non Prior Service	60,000	65,000
Prior Service	1,000	4,800

Fig. 8

The quality of non-prior service (NPS) accessions continued to improve in FY83. Ninety-eight percent of our FY83 NPS accessions were high school diploma graduates compared to ninety-four percent in 1982.

RETENTION

Officer Retention: Fiscal years 1982, 1983 and 1984 have been good years for officer retention (Figure 9). However, retention is influenced by the economy in general, and unemployment rates in particular, as well as the individual's perception of job and family security afforded by a military career. For those reasons, we must ensure our people understand their sacrifices are appreciated and that commitments made to them, in the form of institutional supports and other tangible and intangible benefits, are preserved. If not, the results could be as devastating as they were in the late 70s --only this time, we do not have a large experience base to cushion the fall.

OFFICER TRENDS

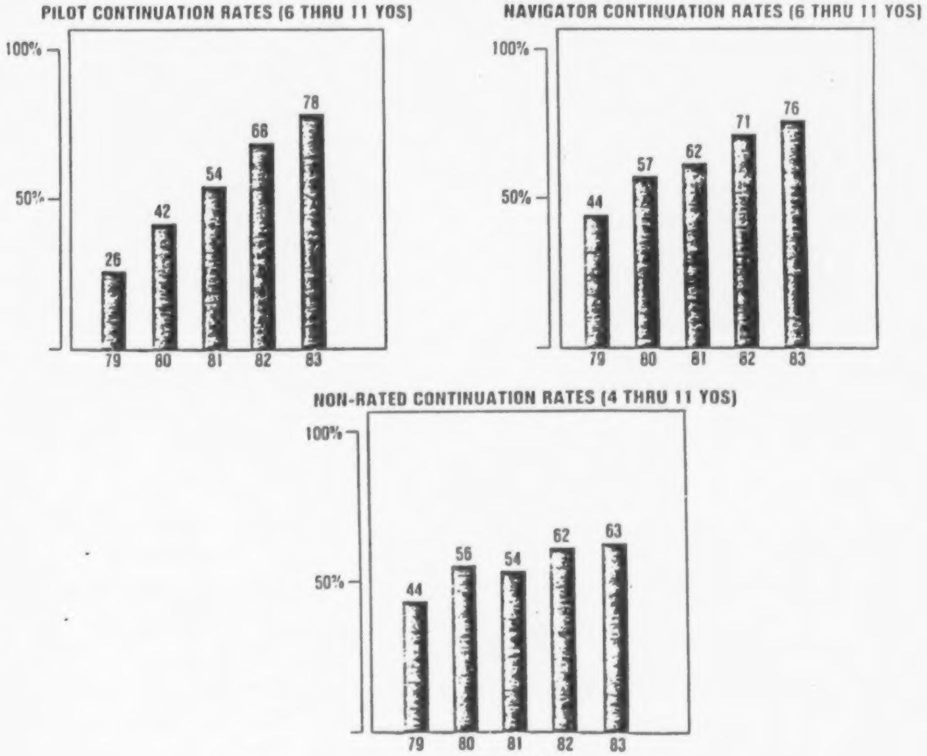


Fig. 9

Enlisted Retention: FY83 marked the best enlisted retention in recent history. The first term reenlistment rate was 66 percent compared to 38 percent in FY79, second term reenlistments rose to 83 percent versus 60 percent, while the career rate was 96 percent compared to 91 percent (Figure 10).

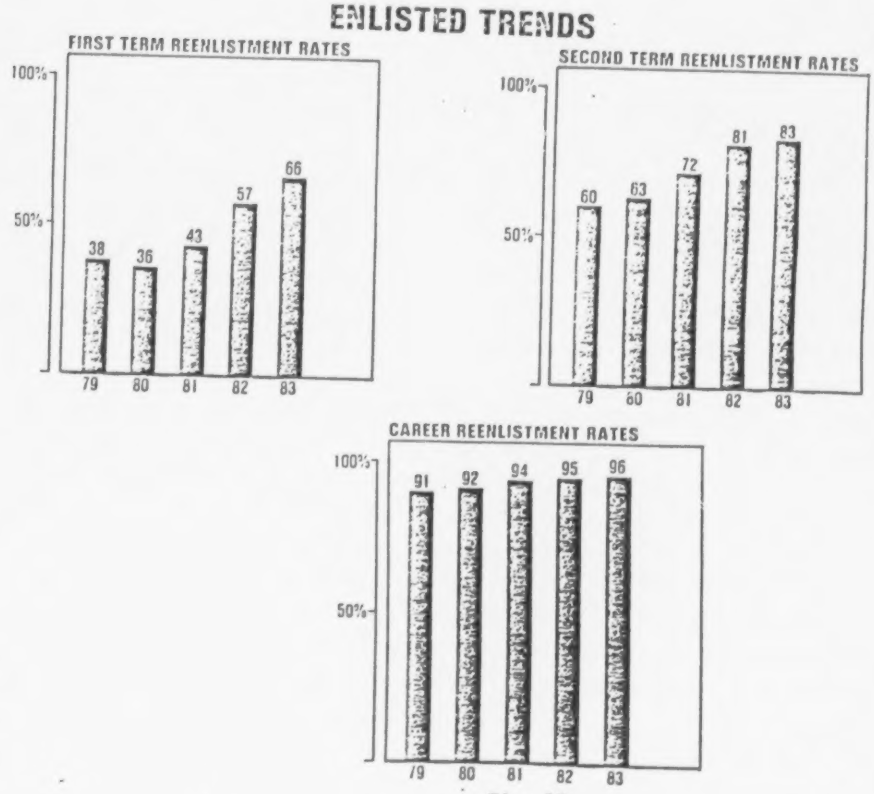


Fig. 10

Despite recent successes, we have yet to fill the experience gap created by the mass exodus of mid-level, career noncommissioned officers in the mid to late 1970s. Even if retention were to continue at current levels, projected force expansion will lower average enlisted experience levels in FY85. Although overall manning was at funded levels (at the end of FY83), there were still shortages of approximately 4,200 NCOs in pay grades E5-E7 in 72 combat-related skills. We have implemented several initiatives to reduce this shortage; however, even with current retention levels, the problem will remain through FY85.

FUTURE RECRUITING AND RETENTION CONCERNS

The recruiting and retention environment is influenced by many factors -- military compensation and institutional supports, the level of recruiting resources, the availability of quality people and the economy. Right now, we are particularly concerned about the extent to which the improving economy and unemployment rates will affect recruiting and retention. Economic indicators have shown significant signs of recovery since the national unemployment rate reached its highest level in December 1982. The uncertain economic environment, the October 1982 and January 1984 four percent pay caps, limitations on the VHA program, and recently enacted changes to the military retirement system underscore the fact that current recruiting and retention rates could crumble as quickly as they have risen.

As the economy continues to improve, high-technology industries have been among the first to recover. The national shortage of electrical engineers, together with the growing demand for people in telecommunications, computers and robotics, will create a lucrative private-sector job market. This could drain the Air Force of many of the high-quality, trained, experienced people needed to operate and maintain much of our new, sophisticated equipment. With an improved economy and the current pay gap, we expect some of these people to be the first to leave the Air Force. However, our FY85 programs and initiatives are designed to sustain recruiting and retention, maintain the quality of the force and preserve the institutional benefits our people have earned.

C. OTHER PROGRAMS

BONUS PROGRAMS

The Selective Reenlistment Bonus (SRB) budget request for FY85 is $93.0 million and the Enlistment Bonus (EB) request is $2.8 million. SRB skills fall in areas such as aircrew, intelligence, communications, maintenance, computers, and engineering. EB skills include intelligence and explosive ordinance disposal.

The primary reason for the SRB growth is the cost of installment payments obligated to previous reenlistees paid under the 50 percent lump sum - 50 percent installment payment method. The cost of new payments ($44.9 million) is lower than FY84 and reflects reductions in the SRB program because of better retention and increased inventories. However, there are still critical skills that have shortages and insufficient reenlistments. These skills need the SRB to increase experience levels and meet force requirements. The EB request reflects a leveling off of the program in the current recruiting climate. However, as recruiting becomes tougher, we anticipate increased EB requirements.

Our most important concern for both the SRB and the EB programs is that Congress must extend the authorizing law -- it expires 30 September. Without it, the Air Force cannot continue to capitalize on this effective and cost efficient force management tool.

Another bonus program requiring funding in FY84 is Engineering and Scientific Career Continuation Pay (ESCCP). This program was authorized in the Uniform Services Pay Act of 1981 and implemented on 10 September 1982 to enhance the Air Force's ability to retain engineers. Over 90 percent of those eligible accept the bonus and as a result, engineer manning has improved significantly (from a shortage of 850 in FY82 to 509 in FY83). This program has clearly demonstrated its value and should be continued.

Aviation Career Incentive Pay (ACIP)

We are concerned that recent attempts to reduce or eliminate ACIP for some of our aviators could result in serious degradations to our readiness posture. Aviators are our most expensively trained personnel, comprise one of the most difficult-to-retain career fields and carry a large share of the direct defense of the nation. The Aviation Career Incentive Act of 1974 established a career incentive pay to aid our efforts to attract and retain skilled aviators. Current ACIP levels are tailored to provide the highest payments during the flying-intensive and (coincidentally) most difficult career retention years of service. ACIP, as a career incentive, continues for certain rated officers selectively assigned to non-flying leadership, engineering and war planning positions in which aviation experience is absolutely essential (provided they have met the operational years of flying requirement established by law).

Additionally, ACIP along with reduced airline hiring and recessive national economic conditions has resulted in excellent aviator retention. The Air Force has been able to rebuild an experienced aviator force and enhance combat capabilities. However, as economic and employment conditions change, retention will become more difficult. We cannot overstate the serious negative impact which would result if the career-incentive and/or income-stability aspect of ACIP were reduced. Such reductions will result in declining retention and multifold increases in training costs, far exceeding any small, short-term savings. ACIP is a cost effective tool working for the taxpayers and DoD and should be continued in its present form.

The Ground Launched Cruise Missile (GLCM) Program

The Ground Launched Cruise Missile (GLCM) is one of the latest weapon systems to enter the U.S. arsenal and the North Atlantic Treaty Organization decision calls for deployment of the missile at six locations in five different European countries.

However, in FY83 and FY84, Congress has not provided the funding needed for family support facilities (housing, schools)at our GLCM bases. The lack of family support facilities will cause three GLCM bases to be manned by personnel serving 12-month unaccompanied tours versus the originally planned 36-month accompanied tours. The long range impacts are significant and will cause a nearly three-fold increase in trained personnel required to operate, maintain and secure the system. Additionally, the rapid personnel turnover will cause turbulence and instability in the GLCM career field and lower the average time-on-station and mission effectiveness/experience of assigned personnel. We cannot afford to continue to fund this system in the tentative manner of past budget decisions. The deployment of the system is now a reality and the required money and facilities must be provided to permit accompanied tours at all locations, as specified in the initial planning concept.

The Air Force FY85 Budget includes a total of $112.2M for housing and $37.3M for schools at Greenham Common, U.K., Comiso, Sicily, and Florennes, Belgium. Other items such as child care centers are also included, along with needed troop support facilities. The GLCM program remains a top priority of the Air Force and we are committed to the successful and timely deployment of the system and the establishment of accompanied tours for all personnel at the six GLCM locations.

CHAMPUS PROGRAM

The major concerns in the CHAMPUS area remain control of the program's cost. The best way to accomplish this objective is by treating more of our people in military facilities. CHAMPUS cost growth was successfully contained in FY83 through a variety of DoD-wide actions. These initiatives reduced the projected FY83 CHAMPUS funding shortfall from over $160 million to a carry over of $12.7 million dollars in FY84. However, private sector health care cost growth, which is the primary determinant of CHAMPUS cost growth, is expected to exceed 10 percent in FY85. Treating more of our people in military treatment facilities is the key to further reductions in CHAMPUS cost growth. The Air Force remains committed to reducing CHAMPUS cost growth in FY85.

. Through aggressive cost containment actions, the DoD has successfully averted pressures to pass CHAMPUS funding shortfalls on to military members. Nevertheless, there still exists the notion that an outpatient fee for care in military treatment facilities might provide a viable means of reducing CHAMPUS deficits. After an extensive review of CHAMPUS cost containment options, the DoD has rejected an outpatient fee. The Air Force was actively involved in the DoD review and remains strongly opposed to such a fee. Military health care has traditionally been ranked as one of the top institutional supports associated with military service. Charging military dependents for care would be a serious erosion of benefits and adversely affect the morale and retention of service members. Military members separated from their families, particularly those assigned to remote overseas tours or extended temporary duty assignments, would no longer have the sense of security that, regardless of their financial status, their families will receive timely health care when required. Another major consideration is that an outpatient fee may prompt numerous people to turn from military treatment facilities to CHAMPUS (as the more desirable alternative) causing a disproportionate increase in CHAMPUS costs and an even greater outpatient fee in order to remain within budget constraints. For the foregoing reasons, we strongly recommend against an outpatient fee.

TRAINING

With the cooperation of this Congress, we have been able to address some of the adverse reductions in technical training incurred during past years. We have increased basic fundamentals instruction in our initial skill courses for aircraft maintenance, avionics, communications-electronics, and intergrated computer systems. We desire your continued support in FY85 to further address the technical training challenges of new Air Force high technology systems, such as space, missile, and communications-electronics systems.

We continue to emphasize needed improvements to Undergraduate Pilot Training (UPT). In FY87 the Next Generation Trainer (NGT) aircraft will begin to replace the aging and deficient T-37 as our primary training aircraft. Acquisition of the NGT (T-46A) is crucial to the future success of the UPT program and will provide an efficient training system for many years to come.

EDUCATIONAL INCENTIVE PROGRAM

The Services have long viewed an educational incentive program not only as necessary for manning, but also as an institutional incentive for military service. However, the Vietnam-era GI Bill was terminated in 1976 and its replacement, the Veterans' Educational Assistance Program (VEAP), has proven ineffective. After seven years, less than six percent of eligible Air Force members are participating.

While the improved recruiting and retention environment and existing budget constraints offset the immediate need for a new educational incentives program, long term recruiting and retention will best be served by the development of a noncontributory program. Such a program will be essential if and when economic recovery results in lower unemployment rates. Pending development of such a program, the Air Force strongly recommends extention of the Vietnam-era GI Bill beyond the current 1989 deadline.

QUALITY OF LIFE/AIR FORCE FAMILIES

Military families are a vital source of strength contributing to readiness and the national defense in positive ways. For most Air Force people, the family plays the dominant role in their decision to remain on active duty, so it is essential that we plan to meet their needs. To help fulfill that responsibility we are establishing Family Support Centers (FSC) at all major bases. A two year period of development shows that they are having a positive impact. Commanders in the field say FSCs are valuable in helping them handle tough, time-consuming family related issues, and are beginning to eliminate long-term, recurring problems for some families. In FY85 we will have 43 FSCs in various stages of development with full implementation (123) expected by FY89. Over eighty-six percent of the users of FSCs report satisfaction. We strongly urge continued congressional support for this program.

MORALE, WELFARE, AND RECREATION PROGRAMS

Morale, Welfare, and Recreation (MWR) programs continue to be one of the major tools commanders have to enhance force readiness and esprit de corps by providing activities that stimulate the mental, physical, and social well-being of our Air Force community. An Air Force-wide study conducted last year provided empirical evidence that the "MWR Package" is one of the best deterrents to drug and alcohol abuse, discipline and family problems, and other negative life styles. The study also showed that MWR is a major contributor to better retention. These programs are designed to meet the needs of active duty members of all age groups and their immediate families in overseas, as well as CONUS locations. Over the past decade, the "troops" have had to provide the predominant share (approximately two-thirds) of the cost of these programs. Much of this burden should rightfully be borne by the federal government, as the programs are direct contributors to combat readiness. An example of this is the requirement for our people to bear the cost of constructing and operating the essential feeding portions of our open messes. In wartime or other emergency conditions, these facilities will be used exclusively for food service operations and the social aspects of the facility will be curtailed. We especially urge support for MWR facilities at GLCM and other "new mission" locations. We also urge a more equitable cost sharing of these essential programs in a manner that does not increase the burden on the very people the programs are designed to serve.

IV. CIVILIAN PERSONNEL MANAGEMENT

Air Force civilians perform a broad range of defense tasks including supplying and maintaining aircraft (and other weapon systems), maintaining and operating our bases, and conducting vital world-wide command and control, communications, research and development, and medical care. Civilians comprise 20 percent of the total force, with only about four percent in management headquarters. Civilian employees are directly involved in the Air Force mission.

Air Force civilians are an integral part of the total force and make significant contributions to military readiness. Therefore, they expect and should be entitled to pay, benefits, and working conditions comparable to those attainable in the private sector. Programs which impact adversely on their pay and benefits weaken our ability to attract and retain the talent necessary to maintain a quality force.

COMPARABILITY AND THE NEED FOR CIVILIAN PAY REFORM

The Air Force has consistently supported the principle of pay comparability for civilian employees. This principle is established in law, however, other laws and practices conflict within, causing a departure from comparability in many situations. We urge Congress to enact legislation which will eliminate these disparities in FY85, especially in the blue collar area. The step rate structure, exclusion of wage data from state and local government, night shift differentials, and the Monroney Amendment (combined) cause blue collar pay to be higher than the local prevailing wages.

INDIVIDUAL PCS FINANCIAL BURDEN

An issue which still requires attention is the need for a civilian force that is mobile enough to meet military readiness requirements. For several years, we have faced increased difficulty in relocating civilians to vital positions when "out-of-pocket" expenditures are required. We are very pleased that Congress has recently provided some relief by: 1) extending the temporary quarters subsistence expense reimbursement period to a possible 120 days; 2) providing a tax allowance for tax applied to relocation expense reimbursements; and 3) providng an annual upward pay adjustment if warranted by the Consumer Price Index (CPI).

However, there are still several needed improvements that require legislation. The most important is authority to reimburse an employee for the sale of a residence (at a former duty station) when the employee is returning from an oversea duty station and is assigned to a CONUS duty station in a location different from his residence. Title 5, United States Code does not authorize any reimbursement for real estate expenses involved in an oversea duty assignment. Also, the FY 1984 DoD Appropriation Act limits shipment of household goods to 13,500 pounds. The Air Force supports relief from the 13,500 pound limitation and requests restoration of the 18,000 pound limit now allowed non-DoD employees. Civilians under our centrally managed career programs are required to relocate periodically, much the same as their military counterparts. Civilians (from grades General Schedule/General Manager 11-15) in the logistics, research development, acquisition, manpower and personnel, engineering services and comptroller career programs move at great personal inconvenience. These moves are for the benefit of the government. An area of concern is that at retirement there is no provision to return these people (at government expense) to their "home of record." Some relief is required for these motivated career employees.

RETIREMENT SYSTEM

Civilian pay and benefits should be considered not only in terms of cost but their impact on attracting and keeping a high-quality, career-minded civilian force. Extreme care should be taken to design the new pension system and to supplement the Social Security System coverage that began for new employees 1 January 1984. Together, the new systems should result in a retirement package of equal value to the private sector plans.

IMAGE OF THE CIVILIAN WORK FORCE

Recruitment and retention are critically affected by employee perceptions of the Air Force and Federal Government as an employer. Pay comparability with the private sector and health and retirement benefits are issues in 1984. It has become somewhat more difficult to sustain an improved distribution of minorities and women in the work force. We have also had significant losses in the General Management and Senior Executive Service ranks. We encourage open and frank dialogue among Federal agencies and the Office of Personnel Management (OPM) and between OPM and Congress concerning civilian pay and benefits. This will reduce misunderstandings and lead to a consensus on administration of civilian personnel program initiatives.

HIGH GRADES REDUCTIONS

The President's Cabinet Council approved a plan to reduce the number of high grade (GS/GM-11 to 15) positions in the Federal Government. The major impetus for the plan was a recommendation by the President's Private Sector Survey on Cost Control (Grace Commission). The Grace Commission claimed there was significant over-grading in the Federal Government and by comparison with some private sector enterprises there was a bulge in Federal employment at the GS-11 to GS-15 levels. Accordingly, a two percent reduction in the number of high grade positions has been mandated for FY85 and is planned for FY86-88 to achieve an eight percent overall reduction. This approach does not seem to recognize Air Force achievements in managing civilian positions.

During FY78-82, Congress imposed a ceiling on DoD high grades, but not on the rest of the Federal Government. The ceiling was lifted in FY82 with direction to manage high grades with a strong position mangement program. The Air Force has such a program and has successfully managed high grades as a ratio to total employment. The impact of an aggressive contracting-out program, a large blue collar labor force, and expanding missions should be considered when implementing the new high grade reductions. Reductions in high grade positions adversely impact the Air Force's ability to meet it's goals and objectives for force expansion, spare parts management, high technology development, and modernization. Future reductions should recognize these impacts and other methods to manage high grade positions should be considered.

COOPERATIVE EDUCATION PROGRAMS

A major constraint on civilian employment is the limitation placed on DoD cooperative education programs in the FY 1981 DoD Appropriation Act. Cooperative education programs provide an excellent means by which to acquire qualified and trained manpower, especially in shortage skill occupations--such as scientists and engineers. However, the congressional limitation on the number of people that can be hired in these programs restricts its full use. As a result, the Air Force must spend resources on recruitment of college graduates while positions remain vacant. We need congressional support to eliminate the statutory ceiling on cooperative education students.

V. MANAGEMENT IMPROVEMENT INITIATIVES

The Air Force continues to be proud of its excellent management and high standards. For years, our people have been leaders in training, management innovation and the creation and acceptance of new concepts. On 8 December 1981, the Secretary of the Air Force announced a new Air Force-wide initiative -- the Integrity and Management Improvement Program -- described as an umbrella for many existing oversight, cost awareness, and incentive programs. Manpower and personnel managers fully support the initiative and take pride in the actions already implemented to improve management of Air Force resources. For example:

- During FY83, Air Force people submitted 96,790 suggestions saving $127 million. Since 1981, the Air Force Suggestion Program has produced a ratio of dollars saved to dollars spent of 21 to 1.
- The Productivity Investment Fund (PIF) buys or leases equipment and facilities valued at $100,000 or more with a four-year payback. Since the program began four years ago, 58 projects with life-cycle savings and cost avoidances of $2 billion have been approved by OSD.
- In FY83, the Air Force recalled to active duty 16 pilots, 12 navigators, and 16 support officers whose training would have cost an estimated $36.6 million to attain the same level of experience.
- In FY83, the Air Force accessed 3,220 enlisted members with prior service who were directly assignable to skills without the need for basic technical training.
- The Personnel Data System (PDS) has been the most significant factor in improving Air Force personnel support over the past 20 years. The PDS has improved the flow of information between management levels and provided better access to information for decision-making. By implementing the PDS, we have been able to reduce active duty military personnel staffs by 65 percent since 1960.

The sense of pride and responsibility imbued in our people has produced (and will continue to produce) cost reductions and increased capability to do our job. We continually reevaluate the work place and the job; remain alert for and open to innovation; and accept no less than top performance. In summary, the Air Force is fully sensitive to its responsibility (to the nation) to spend allocated resources efficiently.

VI. CONCLUSION

In conclusion, Mr. Chairman, and members of the Committee, as we look to this new year, we must not forget the lessons of the past. Many of the conditions that existed in the 1970s again exist today. To preclude history from repeating itself, it is essential to identify those social, economic and demographic factors that may adversely impact the Air Force and develop programs to overcome or at least temper the detrimental effects of the external environment. How well we are able to respond to this challenge will ultimately determine our ability to successfully carry out the Air Force mission.

Senator JEPSEN. Thank you, General.

General Maloney, Deputy Chief of Staff for Manpower, the Marine Corps.

STATEMENT OF LT. GEN. W.R. MALONEY, U.S. MARINE CORPS, DEPUTY CHIEF OF STAFF FOR MANPOWER

General MALONEY. Thank you, Mr. Chairman, for the opportunity to appear before the subcommittee today and present the Marine Corps' fiscal year 1985 manpower program.

Your corps today is a high-quality, well-trained, combat-ready fighting force. I join my colleagues in noting that the major share of the credit for this favorable status lies with the manpower initiatives approved by Congress and especially this committee over the last few years, particularly those that have improved the compensation to our service members enabling us to attract and retain the highest quality marines in history.

I have submitted a formal, more extensive statement for the record and will confine my remarks to six key points.

First, our manpower request for fiscal year 1985 is for 199,500 active duty marines. Our program includes a well-considered increase of 2,900 over fiscal year 1984 to allow continuation of the much needed enhancements and modernization of our combat, combat support, and combat service support forces. We have assessed each increase carefully and have programmed them fully in the Active Force because they are necessary to support our worldwide commitments.

Second, the Marine Corps is structured and manned with readiness paramount and cost a top priority concern. The least expensive option from a monetary view may be the most expensive in terms of meeting our national defense commitments. In our pursuit of the most effective, efficient and economical force mix, emphasis is placed on the ability to respond to contingencies quickly. Our Active and Reserve Force mix is evaluated continuously and updated annually.

Third, let me say that we continue on a steady, successful course of commissioning and enlisting young Americans. Quality has never been better. Recruiting is going well, however, this should not be construed to mean it is any easier. Indications are that there may be more difficult times ahead, and we still require your support for our use of recruiting and advertising programs.

Fourth, the real success story is our selective reenlistment bonus program, our single most effective tool for reducing critical shortages. What was once a critical skill shortage of 5,600 marines is down to 2,600 as of the first of January. Thanks to you and your support for this most cost-effective program, remaining in uniform once again has become fashionable. Now we seek your continued support to maintain this positive trend.

Fifth, beginning in fiscal year 1985 some captains will be promoted to majors after more than 11 years of commissioned service, the maximum now recommended by DOPMA. This will grow to an average of 12 years shortly thereafter. Moreover, current ceilings cause a significant shortfall in that grade. In order to maintain the promotion flow parameters established by Congress and to meet our validated needs, we are requesting a revision of the DOPMA grade table that will allow an increase in the number of majors without an increase in the total number of officers.

My sixth and final point is that, as an institution, the military services have a unique mandate to take care of our own. We must ensure that our young men and women who are asked to make great personal sacrifices are paid in a manner that is comparable with pay for parallel work and skill in the private sector.

Let me conclude by saying that your past understanding of the challenges experienced by the Armed Forces is greatly appreciated. We solicit your continued support.

Thank you, Mr. Chairman.

[The prepared statement of General Maloney follows:]

Prepared Statement of Lt. Gen. William R. Maloney, U.S. Marine Corps, Deputy Chief of Staff for Manpower

Mr. Chairman, distinguished members of the subcommittee, it is a privilege for me to again appear before you, this time to present the fiscal year 1985 authorization request for Marine Corps manpower. My statement will focus on the Active/Reserve Force mix considerations and rationale for our current Total Force policy; the important aspects of recruiting; our continuing effort to improve quality of life among our Marines; a brief discussion of our training requirement and conclude with the costs involved in our fiscal year 1985 request.

My charter as the Deputy Chief of Staff for Manpower is to fill the programmed structure of the Marine Corps to the maximum extent with the highest quality, best trained Marines possible. To do this we are requesting in our fiscal year 1985 budget an Active end strength of 199,500—some 2,900 above the fiscal year 1984 level. The increase is required to support our unique role in national defense—readiness for world-wide deployment—by manning new firepower and support equipment already procured for delivery.

Activate one light armored vehicle battalion	+394
Activate two heavy antitank missile platoons	+148
Activate one 155mm self propelled artillery battery	+102
Activate one target acquisition battery	+151
Transition of one artillery regiment from 105mm howitzers to the newer 155mm howitzers	+144
Activate MAGTF headquarters	+300
Activate one light anti-aircraft missile battalion	+715
Activate one CH-53E helicopter squadron	+298
Additional manning for F/A-18 and AV8B transition	+225
Activate liquid handling and maintenance units	+379
Manning for the battleship *Iowa*	+44

This modest increase will enable us to improve the manning levels in some units and to continue the much needed enhancements and modernization of our combat, combat support and combat service support forces. It is less than that required to fully support all contingency plans, but sufficient to provide a combat capable force ready to respond to crisis situations short of mobilization.

TOTAL FORCE

Marine Corps manpower requirements are firmly rooted in the needs of a well designed and balanced force. Prudence dictates that we distribute our allocated manpower resources in accordance with assigned missions. Manpower is placed within a structure that includes both active and reserve organizations. In fact, the Marine Corps Total Force structure is a hybrid of active and reserve component organizations that contain the capabilities to fulfill both peacetime and wartime defense requirments.

In order to adequately distribute resources, the Commandant of the Marine Corps makes conscious, calculate decisions as to which portions of a capability should reside within the Active or Reserve component. His general philosophy is that only those forces essential for the timely compliance with stated contigency and readiness missions will be retained or placed in the Active Component; all others will be located in the Reserve.

In our pursuit of the most efficient, effective, and economical Active/Reserve force-mix, emphasis is placed on the force's ability to respond to contingencies within certain time constraints. The bases for force-mix decisions are the missions and taskings in CINC Oplans approved by the JCS, or contained in OSD guidance. As missions and taskings change, we reevaluate our total structure to ensure that a proper Active/Reserve mix is maintained. Structure evaluations and adjustments, along with concomitant manpower impacts, are performed at least annually during development of the Program Objective Memorandum (POW). More properly, our Active/Reserve mix is evaluated continuously and updated annually. Let me now provide some examples of "why and how" structure decisions are made; how, if you will, active or reserve manpower is employed to fulfill legitimate needs.

A recent review of Marine Corps missions and specific taskings revealed that Marine forces are being slated more frequently for employment in densely populated areas. The realities of changing world demographics, and a tendency to plan for the use of military forces in urban areas, means that we must possess an enhanced capability to deal with the problem of operating amongst large, non-combatant, civilian populations. Currently, the Marine Corps has one Civil Affairs Group (CAG) to deal with the unique problems of handling and helping a civilian population within an area of operations. This group is located in the Reserve establishment. The evaluation of civil affairs requirements revealed that stated contingencies provide sufficient reaction time to allow for the continued retention of this capability in the Reserve. However, it was also determined that a single CAG is now inadequate in light of the increasing probability of prolonged contact with large numbers of non-combatants in a mobilization situation. As a result, a decision was made to add two additional CAGs to the Reserve in fiscal year 1984.

In another case, the Reserves were to receive two additional bulk fuel companies to reinforce active units when needed, one in fiscal year 1984 and one in fiscal year 1985. However, a capabilities review revealed that new equipment in the Active component negated this requirement. The immediate fuel transferring function needed by assault forces is now available to handle follow-on fuel requirements without additional reinforcement. Therefore, the activation of the Reserve units has been cancelled.

Organizations are also transferred between the Regular and Reserve establishments as the time phasing of the combat commitment of their particular capability changes. For example, we determined that additional medium helicopter lift assets will be required in the Active forces during the early 1990's. On the other hand, while our need for heavy lift helicopters remains high during the same period, a portion of this critical capability can be relocated in the Reserve. As a result, in fiscal year 1992 we plan to transfer a heavy helicopter squadron from the Active to the Reserve component, while simultaneously restructuring a medium lift squadron from the Reserve to the Active force.

Our manpower request reflects these adjustments which favorably impact readiness. In addition to readiness considerations, the cost of Active versus Reserve forces is given a high priority when weighing structure changes. The Marine Corps has unique costs relating to mission requirements which must be considered when deciding on where a capability should reside. We are currently accumulating data and information for use in developing a system for itemizing the cost differential between Active and Reserve force requirements. Such information will greatly assist in making force mix decisions. As the nation's "force-in-readiness" the Marine Corps has certain intangible non-monetary costs which must bear heavily on these decisions. They comprise the total cost resulting from the need for an active duty component that is no larger or smaller than required for an immediately available, combat ready, and projectable military force. The Marines meet this need by balancing, and constantly evaluating, the cost savings generally attached to reserve forces, with the responsiveness and reaction capability of active organizations. We must structure and man the Marine Corps with readiness paramount and cost a concern; the least expensive structure option from a monetary view may be the most expensive in terms of meeting our national defense commitments.

Active Force

Two and one-half years ago, the Defense Officer Personnel Management Act (DOPMA) became effective. DOPMA focused our attention on better management of officers and provided us with new management tools for this purpose. In keeping with the spirit of DOPMA, we have instituted several new procedures to better define and project our officer requirements. DOPMA also stimulated our efforts to better shape the officer corps to meet requirements. For example, we are providing guidance to promotion boards that identifies the skills in which there are shortages.

Similar guidance is given to boards that consider continuing officers on active duty after the point of mandatory retirement and to those that select Reserve officers to remain on active duty after the end of their obligated service. We do not claim perfection, but I can assure you that we are managing our officers more carefully than ever.

While DOPMA has been, for the most part, positive, it does provide some significant obstacles to our efforts to shape our officer corps. Specifically, the DOPMA grade table ceiling on majors is slowing the promotion of captains to the grade of major, and will prevent us from meeting the promotion timing window intended by Congress in the near future. The ceiling also limits our total number of majors to about 85 percent of our requirement and forces us to choose between manning our own operating forces or participating fully with the other services in the joint arena. The DOPMA ceiling which limits the number of Regular officers to 13,000 is also a problem. It prevents us from offering permanent appointments to our field grade technical officer specialists, known as limited duty officers, who have given the Marine Corps many years of service in technical fields. We participated in drafting a DOD sponsored bill, entitled the "Omnibus Officer Personnel Amendments Act of 1984," that will, if enacted, increase the ceiling on majors through a redistribution of current assets, raise the ceiling on Regular officers to 17,000, and resolve several other concerns. I hope the bill will reach you in time for your consideration in this session and earnestly request your support.

Comprehensive flag and general officer legislation is also of great importance to the Marine Corps. In addition to permitting us to properly staff important internal and joint billets, we believe that this legislation will provide the control over flag and general officer numbers desired by Congress and offer the services a stable set of expectations for structuring their key leadership. A comprehensive flag and general officer proposal is ready for Congressional action, and I urge your consideration during this session.

Before leaving the subject of the officer force, let me add that our requested end strength includes 80 additional officers to serve in units affected by our modernization programs.

On the enlisted side, we are requesting an increase of 2,820 Marines. This growth will take place principally in the private through corporal grades and in highly technical skills such as electronics and aircraft maintenance, avionics, antiair warfare, and air traffic control.

The primary tool used to manage the enlisted force is the Enlisted Force Management System (EFMS), which is a computerized model used for planning accessions, training, lateral movements, reenlistments, as well as the enlistment bonus and selective reenlistment bonus programs. EFMS has undergone continuous refinements over the years and has greatly enhanced our ability to reduce critical skill shortages. For example, at the end of fiscal year 1981, 179 of our 402 military skills were in a critical status—that is they were manned at less than 85 percent of requirement. That number was reduced to 98 at the end of fiscal year 1983, and enlisted planners are projecting a further reduction to 66 critically short skills by the end of fiscal year 1985. These reductions are primarily a result of your generous support for and our improved management of our enlistment and selective reenlistment bonus programs. Your continued support remains key to our success.

The Enlistment Bonus program is used to attract high quality individuals (mental group I—IIIA high school graduates) for training and duty in short technical skills, and to attract these same high quality personnel to skills that do not normally attract comparably qualified individuals. Since fiscal year 1980, approximately 9,600 enlistment bonus personnel have been trained in these skills. Recruitment of high quality young men and women offers a double benefit. Not only do we attract individuals who are capable of doing the more complex jobs, but we also improve retention. High quality recruits have proven more likely to successfully complete their initial obligation than less capable personnel.

The Selective Reenlistment Bonus (SRB) program remains our single most effective tool for reducing critical skill shortages. Because the authority to pay the reenlistment bonus expires on 30 September 1984, I encourage that you enact legislation to extend this program and fund it at adequate levels. The SRB program works and is relatively inexpensive when compared to the cost of recruiting and training new Marines. As an example, the cost to train and support a Marine through his first enlistment as an Improved Hawk Fire Control Repairman is $95,800. When compared with a $16,000 maximum bonus, the SRB program is very efficient.

For the past several months, the Marine Corps has been conducting an in-debt review of regular woman Marine assignment, classification and deployment policies. The goal has been to arrive at a supportable billet structure for women Marines in both FMF and non-FMF organizations. This optimal structure will allow us to fight and deploy just as we are trained and organized. A computerized system is being constructed for this purpose that takes into account statutory and policy guidance regarding woman Marine assignments, equitable opportuntiy for FMF and non-FMF service, and logical career progressions. Estimated completion date of this on-going review is June 1984. The "ideal" billet structure identified at that time will provide the cornerstone of a management plan specifically designed to shape our woman Marine inventory to meet requirements. Under this system, the Marine Corps will be able to employ women effectively, and they will be assured of a meaningful career, fully competitive with that of their male contemporaries.

Marine Corps Reserve

To insure the ability of the Marine Corps to fulfill all assigned missions, it is axiomatic in all force planning to consider the capabilities of both the Active and Reserve components to fulfill a particular mission. During "total force" planning, missions and roles are identified, along with the structure needed to support them. The mission of the Marine Corps Reserve is to maintain highly trained units and qualified individuals available for active duty in time of war or national emergency. The primary source of unit and individual manpower upon mobilization is the Ready Reserve, which consists of the Selected Marine Corps Reserve (SMCR) and the Individual Ready Reserve (IRR).

The roles of the SMCR, upon mobilization or Presidential callup, are to provide:

Trained units to selectively augment or reinforce the Active forces in order to field three Marine Amphibious Forces at full wartime strength.

A Marine Amphibious Brigade complete with command, ground combat, aviation combat and combat service support elements.

A nuclear for reconstitution of a fourth division, aircraft wing and force service support group.

Manpower programs initiated at the beginning of this decade to increase the size and improve the quality of the Marines in the SMCR are now reaching fruition. At the end of fiscal year 1983, SMCR strength was 42,690—a growth of 2,229 over fiscal year 1982. It is most gratifying to note that since the end of fiscal year 1979, the SMCR strength has increased 28 percent—some 9,393 Marines. The current plan calls for an fiscal year 1985 end strength of 46,447 with an average strength of 44,300.

The quality of the SMCR has not been diminished by this rapid growth, however. I am pleased to report that over 93 percent of the SMCR enlisted force are high school graduates.

The Individual Ready Reserve (IRR) consists of individuals who have some period of obligated service remaining or who have completed their military service agreements and have elected to remain in the IRR. The mission of the IRR is to provide qualified individuals to fill shortfalls in the active operating forces and reserve units and also to provide for the expansion of the support base to meet wartime contingency requirements. At the end of fiscal year 1983, the IRR strengths was 44,424. With the reinstatement of the IRR bonus in fiscal year 1985, the strength is projected to reach 50,000.

I want to reemphasize that the Marine Corps Reserve, which provides one—third of the Marine Corps' total force manpower upon mobilization, is a full partner in the planning and decision making processes that determine structure allocation and attendant manpower resources for both our Active and Reserve components.

Civilian personnel

The Marine Corps request for 21,800 civilians in fiscal year 1985 satisfies only minimal requirements.

/ Marine Corps policy is that civilian personnel will be used to meet the requirements of supporting activities to the maximum extent practicable consistent with the requirements for use of military personnel by reason of law, training, security, discipline, rotation, and readiness.

Employment of civilian personnel permits more effective FMF manning with Marines; enhances FMF training, readiness and manpower sustainability; provides continuity in operations; and provides specialized experience that is not otherwise available within the military structure. Marine Corps civilian personnel are employed in a wide variety of professional, technical trades and administrative functions.

In order to provide maximum efficiency and to avoid costly duplication of effort, military and civilian manpower resources are fully integrated. Reducing civilian strength without concomitantly reducing workload requires an offsetting increase in military manpower.

The Marine Corps continuously evaluates the cost effectiveness and feasibility of contracting out those functions that can be performed more effectively and economically by commercial contractors. We have made progress in such areas as housing maintenance, janitorial services and refuse collection.

Retirees

As another element of our Total Force, retirees are part of our mobilization equation. This additional manpower resource is a valuable, pretrained asset for meeting our wartime needs. Fully, 45,000 of our 87,000 retirees are qualified to be mobilized, being 60 years of age or less and physically qualified to serve on active duty.

Aside from certain retirees who are preassigned to essential billets that must be manned early in a mobilization, the bulk of this manpower pool would be assigned as needed, primarily to Marine Corps supporting bases and stations. The early availability of retirees is essential to a mobilization effort, as it allows us to free active duty officers and senior enlisted Marines for duty with deploying forces.

Mobilization

As was reported to you last year, we are prepared to mobilize our manpower if directed. The combination of retirees and other trained manpower assets, which include active duty Marines, Selected Marine Corps Reserves, Individual Ready Reserves, and newly trained individuals from the training pipeline, provides us with sufficient pretrained manpower to intially meet full mobilization requirements.

Our wartime manpower sustainability, subsequent to mobilization is a matter of serious concern. From a manpower perspective, sustainability is highly dependent on the level of in-theater medical health care and support for wounded Marines. Without sufficient in-theater medical capability, casualties must be evacuated, a lengthy process that increases substantially the requirement for replacements. Current limitations of theater medical resources challenge our ability to sustain and support Marine forces engaged in prolonged, conventional combat. The Hospital Ships and Fleet Hospital Programs, which have been initiated by the Navy to provide additional medical capability, will continue to receive our full support.

Because manpower sustainability is also dependent upon the continual flow of untrained volunteer and non-volunteer manpower, we must be prepared to reinstitute conscription immediately upon mobilization.

Mobilization exercises, such as the recent Joint Chiefs of Staff sponsored PROUD SABER-83 and PRESSURE POINT-84 confirm our mobilization capabilities and identify our needs. We know that pretrained Marine Corps manpower can quickly be identified and ordered to active duty. Our present manpower mobilization system is responsive and flexible. We can rapidly adjust our wartime structure to best fit any conflict, and we can accurately assign pretrained manpower to full that structure.

RECRUITING

Last year Lieutenant General Cooper reported that we had a banner year in recruiting. Today I'm pleased to say that we continue on a steady, successful course with respect to commissioning and enlisting quality young Americans.

This past year the Marine Corps commissioned 2,182 lieutenants who, as a group, possessed the most sterling credentials seen in the past 10 years. An even greater accomplishment was that in fiscal year 1983 we exceeded both our affirmative action goals and our aviation objectives for the first time. This influx of quality young leaders will have a positive impact on our readiness in the near future.

Our emphasis on quality young men and women and our continuing commitment to stringent enlistment criteria have resulted in record quality attainment for fiscal year 1983. For the year, we recruited 104 percent of the Total Force (Active and Reserve) requirements. High School Graduate percentages for the Total Force and Regular Non-Prior Service (NPS) males were 92 percent and 91 percent respectively, and we have decreased the number of mental category IV accessions. Last year we recruited only 6 percent mental group IV individuals as compared to 13 percent in fiscal year 1981 and nine percent in fiscal year 1982. More importantly, we created a strong delayed enlistment pool for this year, setting in motion a trend for years to come. We began this year with 58 percent of the Total Force NPS requirement in our pool, well ahead of the previous 2 years which were 27 percent and 44 percent respectively. And, the quality of young people in the pool is impressive—97 percent high school graduates/seniors. This level of quality produces successful Marines, both during initial skill training and throughout their Marine Corps service.

Notwithstanding last year's achievements, we have set four goals for our recruiters to meet during the remainder of this year and for next year:

First, and foremost, is to maintain the present rate of high quality accessions. We must continue to recruit quality youth to ensure that high technology fields are manned by Marines truly capable of understanding the systems they operate. Additionally, because both experience and analyses confirm that bright Marines also perform well in the combat arms, we must expand the numbers of upper mental group Marines in the infantry, armor and artillery. It is essential that our young Marines are able to master the complexities of new weapons and communications systems, and can integrate them into our doctrine for small unit tactics and fire support coordination. These young Marines are the basis for developing a strong, perceptive non-commissioned officer force with the all-round skills to successfully lead the rifle squad, armor or artillery section of the future.

Second, in an effort to improve average manning of the force and thereby enhance readiness, the recruiting service has begun a program of level recruit input. We are committed to the challenge of increasing monthly accession goals by 22 percent during the historically difficult recruiting period of February through May.

Third, we will recruit to the specific requirements of each Reserve unit in the country. We have always enlisted the quantities of reserves, but not always have we matched required skills with the local unit's needs. Last year our fill rate of military occupational specialty (MOS) by unit was 42 percent for aviation and 72 percent for ground units—the best ever. As of the end of December, through careful planning and coordination, we have achieved 96 percent.

Fourth, is to maintain our recently achieved momentum in the procurement of minority and aviation qualified officer applicants. This will be increasingly difficult given the declining numbers and growing opportunities in the private sector.

Although our goals are realistic and attainable, we expect three major challenges to seriously test our recruiters in the coming year. As the economy continues to improve, job opportunities for youths in the private sector will increase. Added competition from the colleages has already become evident, and the number of high school graduates continues to decline. The cumulative effect of these factors is reflected in the leading indicator of recruiting success—Armed Services Vocational Aptitude Battery (ASVAB) testing. The total number of people taking the pre-enlistment ASVAB test for the Marine Corps fell approximately 9,000 or 12 percent between fiscal year 1982 and fiscal year 1983 and could well indicate more difficult recruiting times ahead.

Our role in the national defense dictates that we continue to focus on quality. We have momentum, and we recognize the economic and demographic challenges that we face in achieving our goals. We believe the momentum can be maintained with your approval of our recruit advertising and recruiting support programs. Anything less introduces a significant element of risk.

In addition to recruiting success, the Marine Corps has again achieved an excellent reenlistment year. During fiscal year 1983 our reenlistment rates continued to climb as we reenlisted over 14,000 Marines and added a balance of experience and youth. Our success can be partially attributed to greater job satisfaction—remaining "in uniform" has once again become fashionable. Of at least equal importance in retaining good Marines has been the improvement in our compensation system, specifically our enlisted bonus programs, during the past several years. I thank you for your support in this area. While retention was at an all time high, we continued to improve the quality of our career force and further reduced our skill shortages. Retaining our best experienced Marines will remain a primary objective in fiscal year 1985. Your continued support for a fair compensation system is central to our continued success in retention.

QUALITY OF LIFE

The "quality of life" of today's Marines remains a primary concern and deserves our closest attention. Life in the Marine Corps is a mosaic of unique and complex activities that require tangible and intangible support. Military compensation lies at the very foundation of this system.

Compensation

As an institution, the military services have a unique mandate to take care of our own. We must ensure that our young men and women who are asked to make great personal sacrifices are paid in a manner that is perceived as fair and equitable, one that is comparable with pay for similar work and skill in the private sector. A key to accomplishing this comparability is to establish a linkage between pay and inflation. The Employment Cost Index (ECI) can provide that linkage. It is a stable, predictable, and understandable device that will keep our pay in line with our economy, over time.

I am concerned that wrong signals about military compensation are being sent to our Marines. Such actions as pay caps, freezes, and ceilings on housing allowances are being perceived as a loss of commitment to maintain a military compensation system that is comparable with that in the private sector. For example, this year, for the second year in a row, military pay was capped at four percent. During this same period, using various comparability standards (e.g. CPI, PATC and ECI), pay raises from five to 13 percent would have been necessary to maintain comparability. Another example of a wrong signal being sent to our service men and women will occur in high cost of living areas throughout the United States, including Washington, D.C. In 1984, the Marine major or staff sergeant reporting for duty in Washington can expect to absorb housing costs equivalent to more than 30 percent of their Basic Allowance for Quarters, because their combined housing entitlement has been frozen at the fiscal year 1983 rate. This is more than double the entitlement absorption rate that Congress intended.

My concern with the recent compensation trends is that they may portend a repeat of our mistakes of the 1970's, when a series of pay raise caps and pay raise reallocations in traditional military benefits resulted in the loss of many experienced, middle-grade NCO's.

Military retirement system

The military retirement system is one of our primary force management tools. It ensures the essential balance of experience and youth. Ours is a closed entry system; when we lose experienced Marines, it takes years and money to replace them. Unlike the private sector or other divisions of the Federal government, we don't have the luxury of competing for the necessary experience required to replace lost Marines. So, retaining our experienced Marines is important; and the military retirement system is a powerful incentive for retention.

Concerns continue to be expressed publicly by some that the military retirement system is overgenerous, unaffordable and needs to be revised. Almost exclusively, such comments fail to recognize that our system has already undergone significant change; any further change to achieve shortrun savings could create manpower instability and actually increase our costs as we recruit, train and mature Marines to replace lost careerists.

Permanent change of station (PCS)

The effective management of Marine Corps personnel is my primary responsibility. Permanent Change of Station (PCS) orders are a key tool in placing the right Marine with the right training into the right job and right unit. Congress and the Marine Corps are both interested in effective use of the PCS dollar to provide a well balanced Corps. During fiscal year 1984, 141,000 Marines will make PCS moves. On the surface, this amount appears inordinately high. This is not the case. Almost 60 percent of these PCS moves are for accession or separation travel, which bring new recruits on active duty or separate those who have completed their term of service. Four percent are training moves executed to and from schools subsequent to initial skill training. These moves are necessary to help produce our highly skilled, technically trained Marines and to send selected officers to professional schools that help produce a more skilled and better educated officer corps. Approximately 26 percent of our move plan is attributed to rotational moves needed to support our overseas commitments. These moves are held to a minimum by use of the Unit Deployment Program and by our continuing efforts to increase the number of accompanied tours in Japan. Of the 141,000 PCS moves planned for this fiscal year, less than 10 percent are operational moves, which are most open to control through management action. These moves provide among other things, the fine recruiters and drill instructors we need to procure and trin our new Marines. Changes in the structure of the unites in CONUS generate other operational move requirements, which are minimized by judicious reassignment of Marines within the same geographical location. Effective management in meeting these requirements results in a small percentage of the Marine Corps transferring with an operational move.

The Marine Corps is proud of its frugal management of PCS dollars, and we continue to seek ways to avoid unnecessary movement of Marines. We are doing a good job, and we are getting better.

The frequent family separations that we demand of Marines in order to maintain our forward deployed forces in the Western Pacific is a matter of personal concern. Although our presence in Japan is necessary, I am convinced that it can be maintained without adding to the sacrifices we already ask of our Marines.

The Unit Deployment Program has returned to the states over 8,000 infantry battalion and aviation squadron dependent-restricted billets and replaced them with integral units that deploy to WestPac for six months and then return to their homebase on a rotating basis. We began the Unit Deployment Program in October 1977 with full implementation by January 1983. Presently, every infantry battalion and every aviation squadron/detachment in WestPac is provided by unit deployment. In addition to saving an expected $10.9 million in fiscal year 1984 PCS moves, the Unit Deployment Program stabilizes Marines in the same tactical units for 2 to 3 years, enhances the continuity of training and increases the duration of the "leader to led" association, and improves family stability by reducing the frequency of 12-month dependent-restricted tours. Notwithstanding these very important impacts of the Unit Deployment Program, the primary purpose is to sustain maximum uniform readiness of tactical units throughout the Marine Corps.

Because the Unit Deployment Program has had such a positive effect on readiness and cost reduction, we are investigating the feasibility of expanding it to include combat support units. An expanded Unit Deployment Program, in conjunction with the ongoing initiative to increase the number of accompanied tours on Okinawa and Iwakuni, would enhance our readiness in Japan at less cost. Our goal is to have the preponderance of our operational forces in WestPac involved in unit deployment. The bulk of the remainder will be career, married Marines on accompanied tours. The increase in the number of accompanied Marines depends, of course, on the availability of facilities, and we are working closely with the other services and the Japanese government on this matter.

Drug and alcohol abuse prevention

Based on the traditional concern for the welfare of all Marines, the Marine Corps has developed and implemented a multifaceted program of education, identification, detection, rehabilitation and discipline or separation to reduce substance abuse. This program has been in existence since February 1982 and has proven very effective in reducing drug abuse, as documented by the 1982 DOD "Worldwide Survey of Alcohol and Nonmedical Drug Use Among Military Personnel." A study conducted during 1983 on a large population sample reveals an even greater reduction in illegal drug use among junior enlisted Marines under 25 years of age. Self-admitted drug abuse in this group declined from 48 percent in 1980 to 25 percent in 1982. This downward trend is continuing, although total eradication cannot reasonably be expected with the constant flow of new personnel into the Marine Corps. Pressure will be maintained.

While we are proud of this success in reducing drug abuse, alcohol abuse presents a more complex challenge. We are seeking to strike a delicate balance between the protection of individual rights to drink responsibly and the means to identify and correct alcohol abuse. Marines identified as having a drinking problem are provided support in dealing with their problem. Last year 28 percent more Marines were assisted in dealing with their alcohol abuse/alcoholism than in the previous year. We will continue our efforts to educate Marines on the dangers of alcohol abuse and to control its disruptive effects on individual Marines and unit readiness.

Family programs

I am happy to report that significant progress has been made in achieving a positive, healthy environment in which Marines and their families can work and live.

During the 1970's, as we sought to achieve an effective all-volunteer force, a snapshot was taken of the Marine Corps to determine what was needed to retain our quality individuals. What we saw was a need to address the problem of our growing number of military families. Economically, these families were making no headway against inflation, and thousands were potentially eligible for food stamps. Added to this was the growing awareness of incidents of family violence that were occurring within the home. When these factors were compiled, we recognized that in order to continue our tradition of "taking care of our own," commanders at all levels were going to need assistance.

The establishment of Family Service Centers at all major installations is meeting that need for assistance. Officially opened in 1981, today's 17 centers and two toll-free information "hotlines" are serving commanders by providing information and assistance to all Marines, both married and single. In addition to their primary purpose of offering information and referrals, family service centers are also providing relocation assistance, deployment briefings, family education programs, and limited conseling services.

Another evolution that has taken place is the establishment of a Marine Corps Family Advocacy Program to counter the incidents of child and spouse abuse within Marine families. The obvious need for these programs was recognized by Congress, as you saw fit to provide the Department of Defense with the money needed to initiate and maintian family advocacy programs. For our program, a major milestone reached during the past year was the publication of definitive guidance to our field commanders regarding family advocacy. Our ultimate goal remains to reduce the incidents of family violence through increased awareness among all Marines of the phenomena of child and spouse abuse.

Looking to the future, we remain committed to improving the welfare of our Marine families. Family Service Centers and the Family Advocacy Program will continue to be refined, but additional initiatives are needed. Foremost among these is the need for a dependents' dental care program. In view of the high cost of dental care, and as civilian employers continue to provide dental care programs, the military services must achieve a comparable benefit, particularly for the junior personnel.

Morale, welfare and recreation (MWR) initiatives

Training initiatives and professional development will characterize our fiscal year 1984 and fiscal year 1985 morale, welfare and recreation efforts. The successes achieved during fiscal year 1983 in Joint Service Training, which is both cost effective and professionally enriching, have encouraged us to continue this training. These initiatives are compatible with another programmed action, the civilization of certain MWR billets in order to provide a more professional and stable workforce.

Last February we commenced implementation of a management information system, designed to support MWR operations at our major installations. The system will enable our managers to make more timely, informed financial decisions regarding MWR program management. We anticipate full implementation of this system in 1985.

I am pleased to report that we are continuing an aggressive non-appropriated fund construction program. Recent policy decisions affecting the management and distribution of both Consolidated Package Store and Exchange profits will enable us to reduce our MWR facility backlog, although we still have an enormous task ahead of us. In this regard, we completed 13 projects in fiscal year 1983 at a cost of $9 million and have 43 projects planned for fiscal year 1984 and fiscal year 1985 at an estimated cost of $30 million.

In January 1983 we commenced implementation of the Marine Corps official mail metering program. Thirty-five major installations began accounting for postage costs by the metering program. Once fully implemented, this program will enable us to account for all official mail postage costs instead of relying on the current U.S. Postal Service's sampling system. The positive accountability program is in compliance with current DOD instructions, and follows similar programs instituted by the other services.

TRAINING

In fiscal year 1985 we are requesting a training authorization of 25,127 manyears. The request consists of 21,186 manyears for the Active force and 3,941 manyears for the Reserve. Our request is a three percent increase over fiscal year 1984 and will accommodate required training in five major categories:

	Man-years
Recruit training	11,824
Specialized skill training	11,354
Flight training	635
Professional development training	825
Officer acquisition training	489
Total	25,127

Of the total entry-level training required during fiscal year 1985, approximately five percent will be accomplished in on-the-job (OJT) type programs as compared to ten percent in fiscal year 1982. This represents a continuation of the effort started in fiscal year 1981 to capitalize on formal school opportunities for as many initial skill trainees as possible. With the opening of a Marine Field Artillery Batteryman course at the Army's Fort Sill in 1985, the Marine Corps will exhaust those MOS's currently considered candidates for conversion to a formal school environment, and will stablilize the OJT population at about five percent of the total entry level Marines joining each year. This low percentage represents attainment of a long term goal of offering the preferred formal training to as many entry-level Marines as possible, and is in large part the result of your previous support in increasing our training overhead.

In keeping with the Total Force concept, new Reservists receive exactly the same recruit and initial skill training as their Regular counterparts. After the initial skill training, there are 94 formal two week courses of instruction for Reserves that involve both skill progression and professional development training. The two week Annual Training Duty (ATD) conducted by the Reserve units also parallels the type of training conducted by the Regular forces. These training exercises focus on the most probable employment roles for the Reserves and are evaluated by the same strict standards as our Active forces.

MANPOWER COSTS

In fiscal year 1985 the Marine Corps is requesting manpower funding of $4,845.9 million and $269.5 million to support Active and Reserve force average strengths of 199,000 and 44,300 respectively. These funds provide for pay and allowances, subsistence, individual clothing and permanent change of station travel for the Active force, as well as travel of Marine reservists to annual training duty. The fiscal year 1985 personnel budget submission for active duty forces is $1,320.8 million higher than the fiscal year 1984 request. For reserve personnel, the request is $89.9 million higher. $1,205.1 million for the Active force and $65.2 million for the Reserve force are directly attributed to the newly established retired pay accrual account. The remaining $115.7 million Active force appropriation increase occurs in pay and allowances to support our increased strength, increased PCS entitlements, 12-month funding for the fiscal year 1984 pay raise, and inflation. The remaining $24.7 million Reserve Personnel appropriation increase occurs to support improved personnel and training readiness, to fund the fiscal year 1984 pay raise for 12 months, and inflation.

Fiscal year 1985 budget changes

The fiscal year 1984 Defense Authorization Act (P.L. 98-94) provides for the establishment of accural accounting for the military retirement system effective October 1, 1984 (fiscal year 1985). Under the accrual accounting concept, the Marine Corps will be required to budget for retired pay in the respective military personnel accounts and transfer funds, on a monthly basis, to the new trust fund from which payments will be made to retirees. The accrual estimates were determined by DOD Actuaries using the most recent actuarial valuations.

This new Accrual Accounting System will replace the Retired Pay, Defense appropriation. This necessitates the restoral of Social Security benefits to certain widows and orphans to the Military Personnel Accounts for subsequent transfer to the Veteran's Administration. This method will be utilized until new legislation can be enacted.

BUDGET REQUIREMENTS

Budget activity	Fiscal year 1983		Fiscal year 1984		Fiscal year 1985	
	Dollars in millions	Percent of total	Dollars in millions	Percent of total	Dollars in millions	Percent of total
Military personnel, Marine Corps budget:						
Pay and allowances, officers	654.168	19.54	702.261	19.92	987.322	20.37
Pay and allowances, enlisted	2,284.192	68.24	2,354.113	66.79	3,373.704	69.63
Subsistence of enlisted	230.769	6.89	245.469	6.96	250.107	5.16
Permanent change of station, travel	176.419	5.27	196.370	5.57	205.938	4.25
Other military personnel costs	2.017	.06	26.856	.76	28.829	.59
Direct program	3,347.565		3,525.069		4,845.900	
Reimbursables	13.412		14.413		16.800	
Total program	3,360.977		3,539.482		4,862.700	
Reserve personnel, Marine Corps budget:						
Unit and individual training	127.610	75.11	129.146	71.91	189.894	70.46

BUDGET REQUIREMENTS—Continued

Budget activity	Fiscal year 1983		Fiscal year 1984		Fiscal year 1985	
	Dollars in millions	Percent of total	Dollars in millions	Percent of total	Dollars in millions	Percent of total
Other training and support	42.279	24.89	50.454	28.09	79.606	29.54
Direct program	169.889		176.600		269.500	
Reimbursables	.662		.600		1.100	
Total program	170.551		180.200		270.600	

CONCLUSION

In conclusion, let me re-emphasize that Marine Corps manpower is, and will continue to be, procured, trained and allocated into a force mix which can best execute our role in the nation's defense. That is my charter and my duty.

We need and solicit your continuing support to maintain our programs to keep our most valuable resource—the young, intelligent, patriotic and motivated Marine—well trained and properly cared for. In return, we reaffirm our commitment to provide this nation with a Corps of Marines that will always be combat ready to defend our vital interests—in peace or war.

Mr. Chairman, that concludes my statement. I will be happy to respond to your questions.

Senator **Jepsen**. We will move right into the questioning.

I have two questions for Dr. Korb. I will invite my colleagues to join in these questions as we discuss it if you want to pursue them. We might expedite things that way.

DROPOFF IN RECRUITING

First of all, Dr. Korb, during recent months the Army has observed a substantial dropoff in certain recruiting indicators. I believe the other services have observed a similar, although perhaps not as great a dropoff in recruiting station visits.

How does the Department of Defense view these indicators?

Is this the beginning of the decreasingly favorable recruiting atmosphere that has been predicted for the past couple of years or is this merely an erratic change that should not be of great concern to the subcommittee?

I would appreciate it if any of the gentlemen from the services have any additional comments on this after Dr. Korb has finished, they will please give them.

Dr. **Korb**. First of all, I think it is important to keep in mind for the first quarter of fiscal 1984, all the services met their goals and, in fact, they got higher quality people than they had gotten at this time last year. That is the first thing to keep in mind.

The second is what it seems to indicate is that there seem to be fewer people coming in the door. Again that is a very imprecise indicator. We have different reports and we are trying to get the Defense Manpower Data Center to give us an exact count.

It is also important to keep in mind that you are talking about one-quarter of 1 year compared to one-quarter of another. It was very cold, if you remember, in the first quarter of the fiscal year, particularly in your part of the country in the Midwest which is where the Army had its biggest dropoff.

It would be like trying to compare food prices in one-quarter of 1 year with another quarter without looking at the weather.

We are watching the situation. I have set up in my office an early warning system so if, in fact, it is the beginning of a trend, we, working with the committee, can move rapidly.

I might also point out that in meeting our goals, we are getting high quality people. For example, the Marines in the first quarter of fiscal 1984, took one-quarter of 1 percent or one-half of 1 percent category IV; virtually no category IV. So, we have ample room to take some more people in that particular area.

Yes, we are watching the situation. We don't know yet what the numbers mean. But, I can assure you that if it looks like the beginning of any type of trend, we will be back up here to work with you to take the appropriate action.

ECONOMY INFLUENCES RECRUITING AND RETENTION

Senator **Dixon**. If I might follow up on that, Mr. Chairman, does that experience track the economy to some extent, the number of people you have coming in?

Dr. **Korb**. There is no doubt about the fact that the economy influences both recruiting and retention, but I don't think it is the dominant variable.

For example, the worst recruiting year we ever had was fiscal year 1980. Unemployment among 17- to 21-year-olds was high, 16 percent. It has gone up. It is probably about 20 percent among people in that category, but that does not explain the dramatic turnaround when you go from 50 percent, for example, in the Army nonhigh school graduates and almost 50 percent category IV's to about 90–90.

There is no doubt the economy does have an impact and we are watching it.

Senator **Dixon**. You do not mean 90–90?

Dr. **Korb**. Ninety percent high school graduates, 90 percent scored average or above average on the test. We went from 50–50 to 90–90.

Just the economic situation alone does not explain that. There is no doubt the economy has an impact on both recruiting and retention. We are watching it.

We also have another situation, the number of males turning 18 each year is also declining. So, the population from which we draw is also going down. We are watching all those things.

I can't emphasize too much that in the first quarter of the year we met our goals; the people that actually came in, rather than those who just window shop, were higher quality than they were at any time in our history.

Senator **Jepsen**. I don't ask any of these things by way of criticism. I will begin by saying that. It is I just want to know if we ought to be concerned. I guess from what you said, we ought not be concerned.

Dr. **Korb**. Not at this time, not comparing one-quarter of 1 fiscal year with another quarter of another fiscal year without understanding all the variables.

END-STRENGTH INCREASES SOUGHT

Senator JEPSEN. Dr. Korb, the Navy and Air Force are asking for large increases in their end strength. I realize that both services consider all the elements of their manpower plants to be important.

However, I would expect and believe that some elements are obviously more important than others. Because Congress is unlikely to approve all of the increases requested by the Navy and the Air Force, it would be very helpful to know the priorities of the Defense Department and these services.

Dr. Korb, which elements of the end-strength increases requested by the Navy and Air Force does the Defense Department consider to be the most important?

And then, Admiral Lawrence and General Peek, if Congress can salvage only part of the services' end-strength requests, I would like to hear from each of you as to which parts have the highest priority in your request.

Dr. KORB. Mr. Chairman, with all due respect, I disagree that there are large increases. The Navy has asked for an end-strength increase of less than 2 percent and the Air Force an increase of 2.6 percent.

Last year they got virtually no increases. They got a small increase, much smaller than they asked for. If you go back and take a look, our active duty manpower is really not growing.

As I mentioned in my oral statement, these are the people needed to man the weapon systems that were approved a couple years ago. The ships are coming in the fleet, we have planes coming into the Air Force. They need to be manned.

I would have preferred to see larger increases to make up for what we didn't get last year, but, as Admiral Lawrence mentioned in his statement, we don't have all the money we would like.

I think this is a minimum. If we lose one single one of these people, I can assure you we are going to begin to have manpower readiness problems. If you don't man those new ships and you have to keep those youngsters at sea duty longer, you have to keep them out at sea longer, you have to work them harder on a ship not fully manned, then you are going to begin to see the beginning of a cycle that got the department into trouble in the seventies.

As to priorities, I will let Admiral Lawrence and General Peek speak for themselves, but this is a minimum.

If you add up to where we asked to be in 1985 compared to where we asked to be in 1984, we are less than that. We had intended to be further along.

Senator JEPSEN. The Navy has requested an active end-strength increase of 10,500 personnel for fiscal year 1985.

One of the most often heard reasons for the requested growth is the need to man the 600-ship Navy and in fact 20 new ships will come onboard in fiscal year 1985.

Of the requested growth of 10,500, of that 10,500 how many of these billets will be seagoing billets on the 20 new ships?

Admiral LAWRENCE. Approximately 4,900 will be for our new ships and aircraft squadrons. These are fleet units.

Another 5,000 will be in essential medical support and direct fleet support.

There are only 525 in that 10,500 increase that cannot be directly related to essential fleet support.

Ninety-five percent of that request is in direct fleet-related activity.

Senator **JEPSEN**. I note that in studying this the staff advises me that only 700 are going to medical functions.

RECRUITING AND RETENTION PROBLEMS IN MEDICAL FIELD

Pursuing that for a minute and just kind of getting back to what we just talked about, recruiting, I don't see any special programs planned to some of the recruiting and retention problems in the medical field.

What are you going to do about that?

Admiral **LAWRENCE**. 1,949 of that end-strength increase will go into medical personnel, in combat category functions and a lesser number will go into the hospital and clinic environment.

I might point out over the 5-year defense plan years we will increase the Medical Selected Reserve by 16,200 and will enhance the medical capability in the Reserves so that in a time of mobilization or warfare the Reserves can also contribute to the medical posture of the Navy.

But we are giving great attention to improving our medical capability in the Navy.

Senator **JEPSEN**. You are giving a high priority on the medical needs?

Admiral **LAWRENCE**. Yes, sir.

Senator **JEPSEN**. Senator Dixon?

Senator **DIXON**. Thank you, Mr. Chairman.

Dr. Korb, as you know, there is a great deal of criticism by the public generally of these massive increases every year in our commitment to our national defense. I think for those of us who support it, one of the things we hear back home is that we ought to get more bang for our bucks.

GRACE COMMISSION REPORT

You know the Grace Commission has indicated a number of recommendations for savings in the area of personnel management. I am sure you are aware of these things?

Dr. **KORB**. Yes, I am.

CLOSING MILITARY COMMISSARIES

Senator **DIXON**. One of these recommendations involves military commissaries. The Grace Commission indicates there appears to be no reason for the taxpayers' subsidy of food purchases of military employees and recommended that DOD "terminate the operation of the commissary system in the continental United States," which the Grace Commission suggests would save $3 billion in the next 3 years.

Will you comment on that?

Dr. **Korb**. First of all, I agree you could save some money, at least in one account. If you got rid of the commissaries, I think you would then have to make up for it on other areas. You would probably have to increase your reenlistment bonuses because we find that commissaries are a very big item in the decision that members make, particularly to stay in the service.

I think you would probably have to have some adjustment in pay levels because we take this into account in deciding what is comparable pay for military people.

But, most important, I think it is a very cost-effective way to build what you might call an esprit de corps or feeling of belonging, a togetherness.

The very fact that this is something that the military people see as their own builds a tremendous spirit that is very hard to quantify.

We know that research shows that the main thing people die for in combat is usually the person next to him, the feeling of togetherness or belongingness. I think if you take a look at all those things, the subsidy of about $600 million a year for commissaries is well worth every penny.

Senator **Dixon**. Following up a little bit, and I suppose your response is one that is arguable—I see the value of it—what about the fact that a great many retired personnel use the commissary service?

I come from a town that has a very nice air base. I certainly want it to expand during my time as a member of the Armed Services Committee.

Because I was born and raised in the community near an air base, I am quite aware of the fact that retired personnel benefit as well as those in the service.

While I might concede your contention on the point just made, what about those people?

They are retired now. They do have a decent pension system. Many have other employment opportunities in the community in which I live.

I don't know what kind of savings could be made there. It must be very substantial.

Dr. **Korb**. Again, if you kept the commissary opened and restricted patronage, you could save some money, but not nearly the amount talked about by the Grace Commission.

The fact that these people have the benefits, commissary and medical, as part of the retirement system is another thing that keeps them in the service.

That is factored into the decision they make.

Senator **Dixon**. I don't want to argue with you about that. I don't think anybody goes in the service thinking when they retire they will get a pension and they will have the benefit of the commissary.

Dr. **Korb**. I think I said stay in. Remember, from 22 to 26 percent of retirees are subject to recall in our war plans. They are still part of the family, if you will.

I think in light of the fact that you do come in and you remain part of the military family all of your career, using these benefits has an intangible benefit.

Finally, for a lot of people who use commissaries, particularly enlisted retirees, their pensions are not all that great. In fact, in the review of military compensation, we found out that enlisted people who retired from the service, with their retirement plus their second job, makes less than they would have if they had pursued comparable careers in the civilian sector.

Senator DIXON. Let us try another one.

UNIFORMED SERVICES UNIVERSITY

The Grace Commission also recommended that the Defense Department close down the Uniformed Services University to help scientists because it cannot be justified as a cost-effective source of positions for military services.

Estimated savings are $100 million.

What do you say about that one?

Dr. KORB. I suggest you ask our Assistant Secretary of Health Affairs that particular question because he has responsibility for that area.

Senator DIXON. The Grace Commission made a number of recommendations for better management of the selective reenlistment bonus program.

REENLISTMENT BONUS PROGRAM

I think it is important that we have a reenlistment bonus program.

The Commission estimated a 3-year saving of $326 million from their recommendation.

Are you familiar with those?

Dr. KORB. I am.

Senator DIXON. What did you think of those?

Dr. KORB. Again, as I mentioned in my statement, we scrubbed the selective reenlistment bonus quite thoroughly to make sure it is applied only in areas of greatest need.

I think they were talking about the so-called zone C bonuses primarily. We found that when we didn't have those in the late seventies that people got out of the service. We were surprised they would get out after 10 or 11 years.

That is why we had to put in the zone C bonus.

Senator DIXON. What is that?

Dr. KORB. It means you get it on your third reenlistment, if you will, rather than first or second.

Senator DIXON. It is an extra inducement to reenlist?

Dr. KORB. That is right.

The feeling has been that if you only needed A and B, if you will, and that by the time the person got to the third reenlistment, retirement would keep them in, but we found out that was not enough so those bonuses were put into effect in consultation with the Congress in the late seventies and early eighties to deal with that particular situation.

We constantly look at it. In fact, we have improved the pay and benefits enough to deal with the situation. If we find it is not needed, obviously we will take another look.

Senator **Dixon**. I presume from what you are telling me that you are aware of the recommendations of the Grace Commission?

Dr. **Korb**. That is correct.

Senator **Dixon**. Every Senator will concede not everything recommended there is feasible. I see the value of some of the arguments you are giving me.

Are there some of those Commission recommendations you have taken to heart, that you are going to follow or you expect to undertake in the near future?

Dr. **Korb**. That is correct.

Senator **Dixon**. I wonder if I could have a list of those.

Dr. **Korb**. You will have it after the Office of Management and Budget sends it to the President and he makes the formal recommendation.

We have responded formally to all the recommendations of the Grace Commission. We have forwarded our analysis to the Office of Management and Budget which is collating them for the Federal Government.

They will send it to the President and he will make the decision.

Senator **Dixon**. Is what you have forwarded to OMB privileged or may I see it?

Dr. **Korb**. That would be a decision that would have to be made by them. In other words, we were told to give our analyses to them.

Senator **Dixon**. I will pursue it with OMB and I thank you.

Senator **Jepsen**. I don't understand that.

Why would not this subcommittee be allowed to be privy to that? We are all on the same team. I don't understand that.

Dr. **Korb**. Again, we have to live by the rules.

The advice that the Secretary of Defense gives to the President is his advice alone. So, our position on that, until it becomes an official administration position, it is not public knowledge.

Senator **Nunn**. Mr. Chairman, let me suggest here that we ask the same questions of Dr. Korb. He does not have to give us what he has given to the President, but he is certainly required to respond to our questions.

I think we could have the majority and minority staff ask his opinion on every one of the Commission's reports. We are entitled to that.

Senator **Dixon**. Oh, sure. It would save a lot of time.

Senator **Nunn**. I would think so, too.

Dr. **Korb**. I have given you my opinions on the ones you have suggested to me already.

Senator **Dixon**. None of those was supportive of the recommendations of the Commission. We have not saved a dollar yet.

Senator **Nunn**. Secretary Weinberger was against all of them, too.

Senator **Dixon**. I can understand to some extent the feelings of Dr. Korb and others about some of these particular programs that they believe are valuable for continuing the important growth in the force level.

But I do believe, Mr. Chairman, and may I say to my colleague, as the ranking member, we ought to have this information as soon as we can so that we can develop in this session of Congress whatever savings we believe are feasible within the framework of keep-were in the fiscal year 1982-83 aircraft procurement and will be in-place as programmed.

PRIOR SERVICE

Senator JEPSEN. General Peek, in the past the Air Force has made fairly limited use of prior service accessions for its active duty force. For example, in fiscal year 1983 only 3,200 prior service personnel were brought into the Active Air Force and the goal for fiscal year 1984 is only 1,000.

I get quite a few letters from individuals who have previously served on active duty, been honorably discharged with a good reenlistment code, and now, for whatever reason, perhaps unemployment or perhaps a real desire to return to the military environment, want to return to active duty but are told they can't. On its face it seems this could be a waste of experienced available talent.

I note in 1985, the Air Force goal for prior service accessions goes up almost 500 percent to 4,800 people.

Would you explain the Air Force's view of the value of recruiting prior service personnel, and what needs of the Air Force are driving its increased goal for prior service accessions in 1985?

General PEEK. Prior service personnel are a valuable resource in filling skill and experience shortages in the career force. In fiscal year 1983, for the first time, the Air Force's prior service accession program was limited to fully qualified individuals who possessed Chronic Critical Shortage (CCS) skills. Because of the success of the fiscal year 1983 program and the improved retention of individuals on active duty the need for additional prior service personnel in fiscal year 1984 was limited. This is not expected to be the case in fiscal year 1985 because the economy is projected to improve to the point where the Air Force will be losing more of its experienced technical people to the private sector. This loss of active duty experience necessitates a greater requirement for experienced prior service personnel to replace those lost to the private sector. Also contributing to the increased requirement for prior service personnel is the programmed increase in authorizations for technical skills to support growing Air Force weapon systems requirements in fiscal year 1985.

INCREASE SOUGHT FOR MARINE CORPS MAJORS AND REGULAR OFFICERS

Senator JEPSEN. General Maloney, in your statement you seek the subcommittee's support for an increase in the number of majors on active duty by 800 and an overall increase in the number of regular officers of 4,000 from the existing limit of 13,000 to 17,000. You indicate the limits in the Defense Officer Personnel Management Act are the source of your problem.

The authorized end strength for the Marine Corps in fiscal year 1981, when the Defense Officer Personnel Management Act was enacted was about 189,000. For fiscal year 1985, you are requesting an end strength of 199,500 or only 10,500 more people than you had when DOPMA was enacted.

I have several questions.

A. How can you justify increasing your Regular officer corps by 4,000 while your end strength increases only 10,500?

B. How would the Marine Corps utilize 800 more majors?

C. If the real reason you need 800 more majors is to permit more rapid promotion from captain to major, won't the same kind of problem reoccur in a few years with lieutenant colonels?

General MALONEY. Sir, I will be happy to address your questions.

The Marine Corps is seeking to increase its statutory ceiling on majors and raise its allowance for Regular officers. I should emphasize at this point that the number of additional majors we need is 503, not 800. Neither request will increase the active duty strength of our officer corps and neither request is related to end strength. I will explain why this is true as I answer each of your specific questions.

Our request for 4,000 additional Regular officers spaces is designed to accomplish two purposes. First, we need an additional allowance of Regular officers to permit us to convert our temporary limited duty officers (LDO's) to permanent LDO's. Currently, all Marine Corps LDO's are temporary officers holding permanent warrant officer or enlisted grades. We believe that the management of our LDO's could be simplified if we converted to a permanent LDO program similar to the Navy's. An increase in our Regular officer allowance is necessary to accommodate conversion to a permanent LDO program. Second, the Marine Corps is approaching its legal allowance of regular officers with increased retention. In order to continue augmentation of Reserve officers into the Regular component at a pace which will attract the most promising officers and continue our progress toward an all-Regular career force, the legal limits must be increased. I should stress that the offer of a Regular appointment before a Reserve officer completes his initial service obligation is an important retention device because it gives young officers a signal about their career potential in time for them to decide to pursue a Marine Corps career or a competing civilian occupation. Our request for additional Regular officers does not add up to more officers on active duty. It translates into permanent LDO's rather than temporary LDO's and more young officers in the Regular component rather than the Reserve component on active duty.

REQUIREMENTS FOR MAJORS VERUS DOPMA LIMITS

	Fiscal year				
	1984	1985	1986	1987	1988
Programed requirement	3,537	3,603	3,588	3,567	3,589
DOPMA limit	3,040	3,046	3,057	3,061	3,063
Shortages	497	557	531	506	526

Your second question touches on a matter of greatest concern—additional majors. The fundamental problem is that the Defense Officer Personnel Management Act (DOPMA) ceiling on majors is insufficient to meet the Marine Corps' requirements for majors. I have a table which I would like to add to the record that reflects a shortage of approximately 500 majors in this and the next four fiscal years. The shortage of majors forces the Marine Corps to compromise between even modest participation in the joint arena and manning our operating forces at the required grade. As a result, a sufficient supply of fully seasoned, professionally educated, Marine majors is not available to our Marine Air Ground Task Forces or the growing array of joint service activities. We are strapped for majors, particularly when it comes to filling our "fair share" of billets external to the Marine Corps.

Forty-one percent of the additional majors we seek are earmarked for our Marine Air Ground Task Forces for duty in fields, such as intelligence, anti-air warfare, and logistics. Twenty-nine percent would be assigned to planning and other special billets in joint and unified commands and elsewhere within the Department of Defense. Seventeen percent are allocated for Marine Corps bases and air stations to serve, for example, as communications and financial management officers. We plan to assign seven percent to Reserve support jobs. The remaining six percent of the additional majors are needed to operate Marine Corps Schools and serve in key security billets.

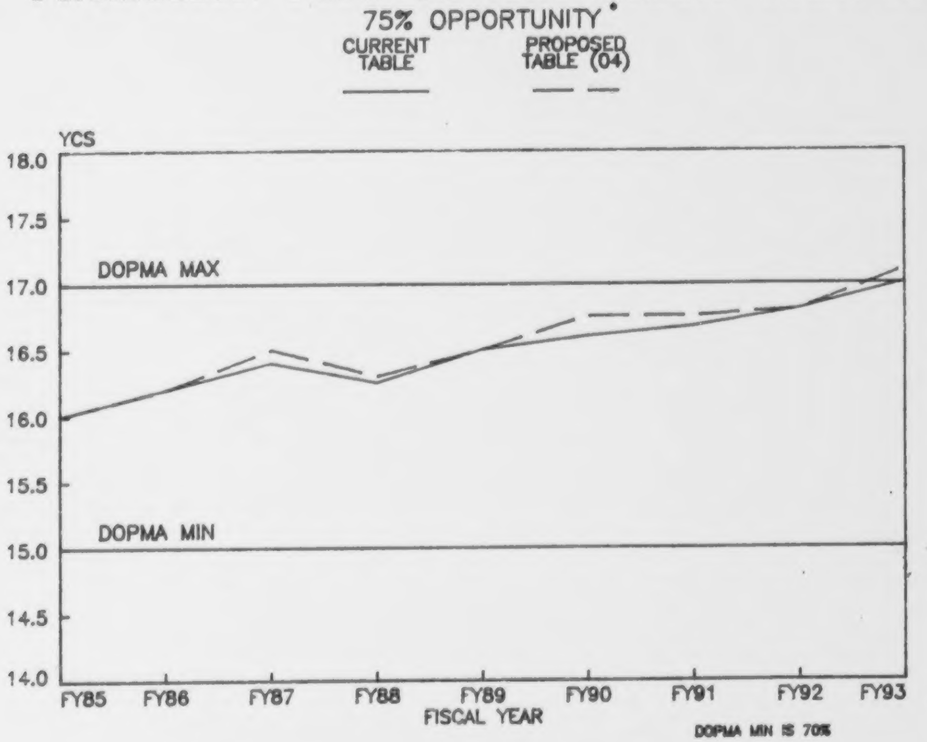
Of no less importance is the promotion timing problem you mentioned for captains eligible for promotion to major. The proposed modification to the DOPMA grade table is also needed to enable us to promote our best qualified captains within DOPMA promotion timing and opportunity parameters. I appreciate your concern that additional majors would create a similar promotion timing problem for the grade of lieutenant colonel. I assure you this is not the case.

Promotion flow to lieutenant colonel is a function of losses of lieutenant colonels and above through promotion, retirement, death and disability. Vacancies in the grade of lieutenant colonel are not affected by the number of officers authorized in lower grades. I would like to offer a chart entitled "Promotion Flow to Lieutenant Colonel" that illustrates the negligible impact of 503 majors on promotion timing to lieutenant colonel.

I hope my remarks have made it clear that our grade relief request will not increase the active duty strength of our officer corps. It will simply allow 503 captains to be promoted to major on time and fill existing validated and programmed billets for majors over a three year phase-in period.

Thank you, sir.

PROMOTION FLOW TO LIEUTENANT COLONEL



MANAGEMENT HEADQUARTERS

Senator JEPSEN. For the record, indicate the level of management headquarters and management headquarters support personnel originally requested in fiscal year 1984; the level after the 5 percent reduction was applied; and the current estimate for fiscal year 1984; and the requested level for fiscal year 1985.

Dr. KORB. Table 1, attached, shows the reductions made as a result of the congressionally mandated 5 percent reduction in management headquarters. With only one exception, the reduced levels are the same as our current fiscal year 1984 estimates. the exception is OSD, where 14 positions are being added to staff the Office of Operational Test and Evaluation, as directed by the Congress.

Further detail on OSD and the Defense Agencies is shown on Table 2. In the time between the submission of the fiscal year 1984 President's budget to the Congress and the final passage of funding legislation, 287 positions had been added to management headquarters. In most cases, these additions represented transfers of already existing functions and personnel into management headquarters accounts, in order to more accurately reflect their true functions. In OSD and DSAA, the increases resulted from staffing to support technology transfer, strategic trade, nuclear policy development, intelligence, health care evaluation, VA and DOD resource sharing, drug enforcement, Reform 1988, the Grace Commission, and Section Six schools.

Two columns on Table 2 indicate a best estimate of how the reductions will be taken. The column headed "ES Functionally Transferred" covers the end strength whose functions, upon close examination, are not considered to be management headquarters or management headquarters support activities. The next column, "ES Reduced," indicates those end strengths representing a decline in our workforce and, hence, our capabilities to perform management headquarters functions. It should be noted that these figures are only estimates. Since the reduction is not required until the end of fiscal year 1984, many components are still evaluating the best approach to absorb the loss while minimizing the negative impact on critical capabilities.

The breakout for the military services is included in the answer to your second question.

TABLE 1.—DOD FISCAL 1984 MANAGEMENT HEADQUARTERS REDUCTIONS

	Original fiscal year 1984 request	Level after 5 percent reduction	Current fiscal year	
			1984 estimate	1985 request
Army	25,811	24,551	24,551	24,540
Navy	22,084	20,763	20,763	20,809
Air Force	27,474	26,145	26,145	26,163
OSD	1,696	1,754	1,768	1,768
Defense agencies (including WHS)	3,176	2,952	2,952	2,970
Total	80,241	76,165	76,179	76,250

TABLE 2.—DEFENSE AGENCY FISCAL YEAR 1984 MANAGEMENT HEADQUARTERS REDUCTION

	Fiscal year 1984		Reduction base	ES functionally transferred	ES reduced	Level after 5 percent reduction	Current fiscal year	
	Original request	Changes after request but before cut					1984 level	1985 request
OSD	1,696	+150	1,846		−92	1,754	1,768	1,768
WHS	533	+27	560		−37	523	523	523
DIS	193		193	−8	−2	183	183	183
DMA	181		181	−10		171	171	171
DNA	398	+4	402	−172		230	230	249
DCA	288	+34	322	−33	−16	273	273	269
DLA	885		885		−45	840	840	840
DAVA	79		79	−1	−6	72	72	72
AFIS	23		23			23	23	22
DCAA	114		114	−6		108	108	108
DoDDS	106		106		−7	99	99	100
OIG	49	+35	84		−4	80	80	80
DARPA	164	+3	167		−7	160	160	163
DSAA	107	+32	139		−4	135	135	135
DLS	56	+2	58		−3	55	55	55
Total	4,872	+287	5,159	−230	−223	4,706	4,720	4,738

Note.—OJCS, CMA, and intelligence agencies excluded.

MEDICAL MANPOWER AND SPECIALTY MIX

Senator **Jepsen**. The Navy also has experienced a continuing problem of recruiting and retaining medical specialists and at the same time has long standing shortfalls in its capability to provide casualty care in support of Navy and Marine Corps operational forces.

These issues are of utmost concern to me. Our military personnel have a right to expect, and I am going to do all I can to ensure they have, the best medical care humanly possible. I note that of the 10,500 requested additional personnel in the Navy, only some 700 are to go to medical functions, and I don't see any special programs planned to solve the recruiting and retention problems in the medical field.

My question is, just how much priority does the Navy assign to the medical needs of our personnel, especially our war time needs and what is the Navy doing to solve its medical specialty shortage?

Admiral **Lawrence**. Senator Jepsen, the Navy is very concerned about meeting the medical needs of its personnel and their dependents. The knowledge that medical requirements will be met for the active duty member wherever assigned, and dependents who remain at home is a strong and viable retention tool in our efforts to build a quality force.

The Defense Planning and Programming Category (DPPC) system masks the increase in medical personnel requested by Navy. The increase of only 700 to which you refer is obtained from the Department of Defense Manpower Requirements Report of fiscal year 1985. Medical Support (active) shows a change from 11,600 in fiscal year 1984 to 12,300 in fiscal year 1985. In addition to this specified area of request, Base Operating support (BOS) manpower requirements has a number of program elements which are medical support personnel. The increase shown for BOS includes medical manpower growth of 1,262. The majority of these are for direct operations of station hospitals and clinics. In addition, the Commandant of the Marine Corps has requested a growth of 237 Navy medical personnel. Therefore, the total Navy medical growth being requested in fiscal year 1985 is 2,186 which is 20.8 percent of the total (10,500) growth for Navy and 52 percent of the Base Operating Support manpower requirement.

We do have a specialty mix problem with the Medical Corps. The specialties with the greatest war-time utility also happen to be the highest paid specialties in the private sector. Similarly, they have the longest training pipeline. In an effort to meet both peace-time and war-time requirements, the following actions have been taken:

(a) The Navy recruiting goal for Medical Corps Officer is targeted to undermanned specialties.

(b) Navy medical residency training programs continue to produce top quality specialists. Additionally, the judicious management of the Navy Active Duty Deferment System (NADDS) permits Health Professional Scholarship Program (HPSP) graduates to remain in civilian residency training programs in those specialties which are or are projected to be undermanned or critical. Upon completion of residency training HPSP graduates serve their three to four year obligation in the identified specialty.

(c) Special emphasis in 1984 to make the Naval Reserve appealing to physicians has produced some innovative results. "Physician Reserves in Medical Universities and Schools" (PRIMUS) and the "Reserve Flexibility" (REFLEX) Program allow physicians to drill in other than conventional Naval Reserve drill sites including University Medical Centers, VA Hospitals and hospitals of other uniformed services. These programs, while new, have been successful in drawing new talent to the Naval Reserve.

QUESTIONS SUBMITTED BY SENATOR ALAN J. DIXON III

ARMY'S SECOND REENLISTMENT POLICY

Senator DIXON. General Elton, in recent weeks I have followed with interest the Army's proposed new second term reenlistment policy and the controversy that policy apparently is generating between the Army and the Office of the Secretary of Defense. Would you please explain that proposed new policy, its present status, and why the Army believes that is the best policy for manning the Army's career force? And, Dr. Korb, if you have any comments on this program I would be happy to hear them.

Dr. KORB. I will comment briefly concerning the position of the Office of the Secretary of Defense on this reenlistment policy. First, I want to emphasize that OSD and the Army share the same objectives in this area. We want to retain soldiers of the highest caliber who will be able to perform effectively with increasingly more complex weapon systems. We also applaud the Army's efforts to improve the soldiers' basic skills through in-house education programs.

Our primary concern with the proposed reenlistment policy is the emphasis being placed on the use of the ASVAB test scores, especially the General Technical or GT composite as a prerequisite for reenlistment of mid-term soldiers. We consider the ASVAB test scores valid measures of an individual's trainability at the time of enlistment. Beyond that, the relationship between test scores and actual duty performance has not been adequately established. This makes the use of test scores questionable as standards for determining reenlistment eligibility.

We have advised the Army to proceed with the use of the GT to screen for second term reenlistments subject to the following conditions:

(1) local commanders will be authorized to waive the Skill Qualification Test score or SQT or GT 100 score requirement in individual cases provided the individual is enrolled in the Army's Basic Skills Education Program (BSEP) II; (2) individuals who do not meet the SQT 80 or GT 100 score requirement, and for whom the requirement is not waived, will be extended and required to attend the BSEP II; (3) quarterly reports on the progress of the BSEP II program for these individuals will be provided to this office; (4) a review of the validity of linking the GT score to

future performance of soldiers beyond the second term will be conducted and reported to this office by March 15, 1985.

The foregoing conditions mean that no solider will be separated solely because he or she fails to meet the SQT 80 or GT 100 standard until such a policy is approved by OSD. Such approval will depend upon the results of the BSEP II program and validation of the linkage between the GT score and performance beyond the second term of enlistment.

PROPOSED REENLISTMENT POLICY

Senator DIXON. General Elton, in recent weeks I have followed with interest the Army's proposed new second term reenlistment policy and the controversy that policy apparently is generating between the Army and the Office of the Secretary of Defense.

Would you please explain that proposed new policy, its present status, and why the Army believes that is the best policy for manning the Army's career force?

General ELTON. Soldiers on their second or subsequent enlistment who will have less than 10 years' active Federal service at Expiration Term of Service (ETS) who desire to reenlist must attain qualifying scores in three aptitude areas. One of these areas must be the General Technical (GT) area.

The numerical requirement for these areas is dependent upon what timeframe the test was administered in. Tests administered during the period 1 January 1976 through 30 September 1980 were mal-normed and require a higher score than those administered prior or subsequent to those dates. These scores are indicators of a persons trainability in given areas. The GT score is a good indicator of an individuals capability to read and comprehend written material at various grade levels.

A soldier may be exempted from these requirements by demonstrating a high degree of proficiency in his/her current military skill by scoring 80 or higher on the Skill Qualification Test (SQT). Those who achieve a score of 60–79 on the SQT are exempt from all except the GT score requirement.

Currently, the proposed changes are ready for immediate implementation upon receipt of final approval. When placed in effect, it is understood that many soldiers would not meet these criteria. To insure that no soldier is unjustly separated from the Army without an opportunity to meet these standards, a liberal extension policy will allow soldiers time to improve their qualification scores. Soldiers who are initially ineligible, as a result of this change, have until 1 April 1985 to accomplish this. Further, soldiers who incur a service remaining requirement, such as assignment to an overseas area, will be allowed to extend for the time necessary to complete the requirement. This will insure the soldier has enough time to complete even a "with dependents" tour if assigned to a long tour area and these are the individual's desires.

This policy is not only best for manning the Army's career force, it is also best for the individual soldier. It's best for the Army because as each year passes we become more technical and our weapons systems more sophisticated. If the soldier can't read, comprehend, and effect what the technical manuals say, regardless of the equipment's capabilities, these new systems will have little or no value. It's best for the soldier because by being able to understand and function effectively, a soldier remains competitive in the areas of job assignments, advanced schooling and, most important, promotion. The soldier who is capable of moving ahead has good morale and a positive influence on subordinates and peers alike. The soldier who isn't competitive is often a morale problem, has a negative influence on others and, quite often, is selected for elimination from the Army after many years of service.

To insure every soldier is given the opportunity to meet these standards, an intensive effort is underway to provide the soldiers the opportunity to retake their tests following attendance at Basic Skills Education Program courses. Reports from our divisions in the field indicate an average increase in the GT score from +5 to a high of +25 points after attendance at a BSEP course of instruction.

PCS POLICIES

Senator DIXON. General Elton, press reports indicate that a Defense Department Study Group has recommended that first-term Army soldiers should serve 24 months in Europe instead of the current 18.

Press reports indicate that this change in policy would eliminate 30,000 moves per year and save $75 million per year.

Are these figures accurate?

Does the Army support this change in policy?

General **Elton**. The 1983 DOD Study Group did recommend that first-term Army soldiers serve 24 months in Europe instead of the current 18. But, the reports of savings are overstated. Such a move would result in savings of $20 million per year, about 14,800 moves per year.

We are analyzing the tour lengths in Europe. The 18-month tour was implemented in 1980 to improve morale, reduce indiscipline, reduce hard drug use, increase reenlistments, share the burden of overseas service among all first-term soldiers, and enhance combat readiness. All indications are in a positive trend. Readiness has remained steady, but turbulence has increased about 4 percent, as was expected when we changed from 30 months to 18 months.

While we would like to reduce the turbulence, we have to weigh the advantage of a longer tour against the impact on morale, family separation, enlistments for OCONUS, and reenlistments. Although a longer tour will reduce PCS costs, we must not lose sight of extension and benefit incentives which voluntarily achieve that goal.

We appreciate the Variable Enlistment Legislation passed last year by the Congress that will enable us to extend an enlistment contract by the length of initial entry training courses. This will realize four to six months more utilization for each enlisted soldier.

The 18-month tour length has been enthusiastically accepted by and raised morale among first-term soldiers. It makes sense and serves our soldiers. The good experience with this tour length argues strongly for it, and it is the Army's position that it should not be changed.

GRACE COMMISSION RECOMMENDATIONS

Senator **Dixon**. Dr. Korb, the Grace Commission made a number of recommendations in the area of personnel management.

One of these recommendations involved military commissaries. The Grace Commission concluded that "there appears to be no reason for the taxpayers' subsidy of the food purchases of military employees" and recommended that DOD "terminate the operation of the commissary system in the continental United States."

Both the Grace Commission and the Congressional Budget Office concluded that closing commissaries in the continental United States would save $1 billion over 3 years.

Does the Defense Department plan to carry out this recommendation of the Grace Commission?

Dr. **Korb**. The Department's position on this recommendation was provided by Secretary Weinberger in his testimony before the House Armed Services Committee on February 2, 1984 when he stated that such a recommendation "will certainly not be accepted by me or by the Department" and "I think commissaries represent an entitlement and I think they are something that has worked well in the past and should not be cut."

The Grace Commission's proposed savings from closing commissaries are unrealistic. Closing commissaries would be a reduction in compensation for military members which would require the upward adjustment of some other element of the compensation package to make up for the loss in pay afforded by the commissary savings. As an example, if only the pay of married service members in the continental United States were adjusted to accommodate the lost savings, it would cost $313 million more than the $362 million appropriated in fiscal year 1983 to fund domestic commissary store operations. Commissaries represent an efficient method of delivering a nonpay compensation benefit to military personnel and their dependents.

GRACE COMMISSION—UNIFORMED SERVICES UNIVERSITY OF HEALTH SCIENCES

Senator **Dixon**. The Grace Commission also recommended that the Defense Department close down the Uniformed Services University of the Health Sciences in Bethesda "because it cannot be justified as a cost-effective and practical source of physicians for the military services." The Grace Commission estimated savings of $100 million over three years from this recommendation. Does the Defense Department agree with this Grace Commission proposal?

Dr. **Korb**. The Department disagrees with the Grace Commission recommendation to discontinue the Uniform Services University of the Health Science. The Grace proposal is based on erroneous assumptions about effectiveness and is substantially at variance with a similar GAO study.

GRACE COMMISSION RECOMMENDATIONS

Senator **Dixon**. Dr. Korb, the Grace Commission made a number of recommendations for better management of the Selective Reenlistment Bonus program. The Commission estimated 3-year savings of $626 million from their recommendations.

Do you agree with the Grace Commission's proposals in this area?

Dr. **Korb**. No. The efficient management of the Selective Reenlistment Bonus program commands a high priority in the Department. Because of this, we thoroughly examined the Grace Commission recommendations and concluded that their adoption would not be programmatically feasible or desirable. Further, we would not save by implementing the recommendations. Any reductions in bonus resources would be offset by decreased readiness resulting from loss of skilled personnel and increased training workload.

Senator **Dixon**. Dr. Korb, which specific recommendations of the Grace Commission in the personnel management area do you agree with?

Which of these recommendations will you be implementing, or asking the Congress to implement? What will be the savings from these recommendations?

Dr. **Korb**. If you are discussing the four volumes that specifically treat the Department of Defense, you will note that there are some 46 specific recommendations in the military personnel management area alone. The Administration has not concluded its review of all of these items, such as the ten recommendations on military non-disability retired pay. The concern here comes from the Grace Commission's omission of the effects on manning, force management and force structure dynamics of its recommendations. Consequently, the Administration is reviewing these matters very carefully.

There are several recommendations that we will be asking you to enact. One recommendation—Army 7—concerns not authorizing payment for accrued leave time for individuals who separate from the service within six months of their initial enlistment or tour of duty unless it is through no fault of their own. That is a recommendation with which we can agree, and the Department will forward enabling legislation. If enacted, this recommendation should save an estimated $3 million a year.

Another recommendation with which we are in partial agreement is OSD–33, concerning better management of permanent change of station (PCS) moves. While we cannot reduce the "exception" moves to the extent recommended by the Grace Commission (80%), we can improve the management of the system and are doing so. Moreover, we have conducted a comprehensive study of the subject, as recommended. We expect savings of no more than $9 million over a 3-year period in this area.

Questions Submitted by Senator Sam Nunn

REDUCTION IN MANAGEMENT HEADQUARTERS STAFFING

Senator **Nunn**. Dr. Korb, how has OSD carried out the 5 percent reduction in management headquarters staffing mandated by the fiscal year 1984 Defense Authorization Act? Where in OSD were these reductions made?

Dr. **Korb**. After submission of the fiscal year 1984 President's Budget for DOD to the Congress, several adjustments were made to the OSD end-strength. Minor errors in the original figures were corrected, and several augmentations were made to the OSD staff to:

- Increase control over technology transfer
- Better manage strategic trade issues
- Strengthen budget analysis
- Support Reform '88
- Respond and follow-up to the Grace Commission Report
- Strengthen health care evaluation
- Manage Section Six schools (formerly managed by the Department of Education)

Further, because the Congress directed that certain Intelligence functions be augmented within OSD, and that VA and DOD resource sharing be reviewed with the goal of reducing costs and obtaining better health care, additional augmentations were made to the OSD staff.

These actions have resulted in a revised base of 1846 (1358 civilian, 488 military) for OSD.

A 5-percent reduction was applied to the new base during the fiscal year 1985 budget preparation process. It is intended that attrition be used to accomplish this reduction prior to the end of fiscal year 1984. The five percent cut was applied across the board within OSD. The activities within OSD being cut, and the number of spaces being cut, are identified as follows:

Executive Secretariat	1
Under Secretary for Policy	20
Under Secretary for R&E	21
Office of Small and Disadvantaged Business Utilization:	1
ASD (Comptroller)	12
ASD (MI&L)	14
ASD (Reserve Affairs)	1
ASD (Health Affairs)	3
ASD (Public Affairs)	6
Director, Program Analysis and Evaluation	6
General Counsel	1
ASD (Legislative Affairs)	2
U.S. Mission to NATO	3
Consultants	1
Total	92

MANAGEMENT HEADQUARTERS

Senator NUNN. How has the Army carried out the 5 percent reduction in management headquarters staffing mandated by the fiscal year 1984 Defense Authorization Act? In which specific headquarters activities were these reductions made?

General ELTON. The Army's implementation of the 5 percent reduction in management headquarters staffing appears in the attached Table 1.

TABLE 1.—ARMY FISCAL YEAR 1984 MANAGEMENT HEADQUARTERS REDUCTIONS

Activity	Original fiscal year 1984 request	Level after 5 percent reduction	Current fiscal year 1984 estimate	Current fiscal year 1985 request
Army Mgt headquarters:				
OSA	362	359	359	359
Departmental Support	18	18	18	18
Army Staff	3,410	3,329	3,329	3,243
Departmental Support	1,275	1,225	1,225	1,191
Major commands:				
USA COE	300	285	285	285
DARCOM	1,866	1,866	1,866	1,859
Staff Spt Activity	600	638	638	640
INSCOM [1]	578	597	597	586
Staff Spt Activity [1]	109	72	72	72
HSC	549	521	521	521
MDW	177	167	167	167
Staff Spt Activity	23	22	22	22
ACC	772	725	725	697
TRADOC	1,526	1,450	1,450	1,450
FORSCOM	1,819	1,635	1,635	1,634
CIDC	187	179	179	179
MTMC	786	325	325	325
HQ USAREC	584	555	555	555
CONUS Armies:				
First Army	561	431	431	431
Second Army		361	361	361
Fourth Army				396
Fifth Army	489	481	481	365
Sixth Army	437	432	432	364
Mid-Mgt Cmds:				
ARRCOM	490	424	424	424
ARRADCOM	329	219	219	196
AVRADCOM	93	124	124	124
CERCOM	189	257	257	257
CORADCOM	127	31	31	31
DESCOM	127	172	172	172

TABLE 1.—ARMY FISCAL YEAR 1984 MANAGEMENT HEADQUARTERS REDUCTIONS—Continued

Activity	Original fiscal year 1984 request	Level after 5 percent reduction	Current fiscal year 1984 estimate	Current fiscal year 1985 request
ERADCOM	148	140	140	182
MICOM	358	345	345	340
TACOM	409	322	322	322
TSARCOM	395	310	310	308
MACOMS (O'Seas):				
USAREUR	1,357	1,266	1,266	1,266
Staff Spt Activity	81	81	81	81
USAEIGHT	735	706	706	595
USARJ/IX CORPS	390	369	369	369
WESTCOM	378	359	359	388
Sub-MACOMs (CONUS): 7th Sig Cmd	332	331	331	331
Sub-MACOMs (O'Seas):				
SETAF	241	248	248	249
5th Sig Cmd	390	387	387	387
ACC-WESTCOM	25			
Unified Cmd/specified:				
HQ LANTCOM	44	44	44	47
US Fcs Azores	1	1	1	1
Iceland Def Fcs	2	2	2	2
Antilles Def Fcs	1	1	1	1
HQ EUCOM	279	279	279	283
HQ PACOM	180	180	180	180
HQ USARJ	25	25	25	25
HQ SOUTHCOM	105	105	105	105
HQ REDCOM	157	157	157	157
International Military HQs:				
SACLANT	11	11	11	11
SHAPE	746	747	747	747
IBERLANT	8	8	8	8
Intl Mil Actvs	98	99	99	98
NATO Intel Staff	27	27	27	27
Land Southeast	310	310	310	310
HQ NORAD/CONRAD	103	103	103	103
HQ USFK/EUSA	331	335	335	340
AF South	305	305	305	305
AF North	46	46	46	46
CENTO	8			
Northern Army Gp El	2	2	2	2
Grand Total [1]	25,811	24,551	24,551	24,540

[1] Includes Intelligence activities exempted from 5 percent reduction.

HEADQUARTERS REDUCTIONS

Senator NUNN. How has your service carried out the 5-percent reduction in management headquarters staffing mandated by the fiscal year 1984 Defense Authorization Act? In which specific headquarters activities were these reductions made?

Admiral LAWRENCE. The Department of the Navy applied the 5-percent reduction in management headquarters staffing mandated by the fiscal year 1984 Defense Authorization Act to all management headquarters activities. Additionally, included as part of the fiscal year 1984 current estimate are adjustments for realignment of functions and other management initiatives.

Provided below is a list of specific Department of the Navy management headquarters activities reduced and total civilian and military personnel levels for fiscal year 1984 original request; the level after the 5 percent reduction was applied; the current estimate for fiscal year 1984; and the requsted level for fiscal year 1985.

	Fiscal year 1984			Fiscal year 1985 request
	Original request	After 5 percent reduction	Current estimate	
SECNAV/staff office	836	802	802	802
BDM	4	4	4	4
OPNAV	2,042	2,009	2,009	1,987
OPNAVSUPPACT	638	584	584	582
NCPC	80	79	79	79
FLT SPT ACT	115	98	98	97
NTISA	29	51	51	36
NAVTACSUPACT	65	61	61	61
NAVDAC	229	217	217	214
AIMSO	51	44	44	50
HQ MARCORPS Dept	563	561	561	572
HQ MARCORPS non-Dept	1,073	996	996	1,003
MSC	560	526	526	534
NARDACWASH	555	497	497	499
NAVMAT	633	552	552	554
NALC	266	241	241	238
NAVAIRSYSCOM	574	544	544	544
NAVSEASYSCOM	913	877	877	873
NAVELEXSYSCOM	184	177	177	177
NAVSUPSYSCOM	623	574	574	574
NAVFACENGCOM	638	606	606	605
ONR	438	467	467	466
CNAVRES	402	149	149	152
CNET	455	397	397	393
AIR TRNG CMD	201	196	196	194
TECH TRNG CMD	233	227	227	221
BUMED	441	402	402	397
NMMSC	47	44	44	44
NAVHEALTH SCIEDTRACMD	105	99	99	106
NAVMEDRCH DEV	43	42	42	42
NAVSECGRU	403	382	382	381
NAVDISTWASH	40	39	39	39
NAVTELCOM	316	302	302	296
NAVOCEANCOM	75	72	72	71

HEADQUARTERS REDUCTIONS

	Fiscal year 1984			Fiscal year 1985 request
	Original request	After 5-percent reduction	Current estimate	
Space Command		59	59	63
CINCPACFLT	707	676	676	692
DPSCPAC	31	31	31	31
COMTHIRDFLT	53	47	47	48
COMSUBPAC	306	283	283	293
COMNAVLOGPAC	138	131	131	130
COMNAVAIRPAC	469	425	425	430
COMNAVSURFPAC	438	409	409	412
COMTRAPAC	44	35	35	34
FMFPAC	564	518	518	520
CINCUSNAVEUR	279	263	263	280
FMFEUR	21	25	25	25
FOCCEUR	105	92	92	97
CINCLANTFLT	611	584	584	587
LANTCOM OPSUPPFAC	227	216	216	219
COMMINEWARCOM	103	98	98	98
COMSUBLANT	381	360	360	375
COMNAVAIRLANT	436	413	413	418

been a recognition that we should and must place greater reliance upon our Reserve Forces.

Some of those who have called for the transfer of missions from the Active Forces to the Reserves and for increased emphasis on the size and role of our Reserve forces seem to do so based solely on the belief that the Reserves may perform those missions at less overall cost to the Government.

I am not sure that we can make that statement in a general way unless we are also prepared to compare the degree of readiness which we believe are required to perform a given mission.

If we are going to compare the costs of performance of a mission by Active and by Reserve component forces, we must be careful to ensure that either those costs reflect performance at the same level of readiness or that the comparison adequately reflects differing levels of performance readiness.

I am not saying that there are not missions which the Reserve components cannot perform at the same level of readiness as do Active Forces, or that the Reserve components cannot perform some missions at less cost than Active Forces.

What I am saying is that we should always consider both of these issues when evaluating Active/Reserve mix decisions.

In order to consider these two items, we need at least two things. We need a single procedure or methodology for costing the performance of various missions by either Active or Reserve component forces with regard to a given mission. I am not convinced that we yet have an adequate procedure for either.

We have with us today a number of gentlemen who have been studying these issues and searching for answers.

We will hear first from Hon. Lawrence J. Korb, Assistant Secretary of Defense for Manpower, Installations and Logistics and then from Hon. Edward J. Philbin, the Deputy Assistant Secretary of Defense for Reserve Affairs.

After hearing their testimony, we will have the opportunity to question both gentlemen.

Then we will hear from Mr. Louis J. Conti, the Chairman of the Reserve Forces Policy Board, the statutory board charged with acting as a principle adviser to the Secretary of Defense on Reserve matters.

Following Mr. Conti's testimony and any questions we may have of him, we will hear from the panel of the senior uniformed officials of the Reserve components and the National Guard Bureau.

I will introduce those witnesses at that time as some are enroute and there may be changes between now and the time they come up.

So, at this time I welcome again Secretary Korb. Thank you for your understanding and you may proceed.

STATEMENT OF HON. LAWRENCE J. KORB, ASSISTANT SECRETARY OF DEFENSE FOR MANPOWER, INSTALLATIONS, AND LOGISTICS

Dr. Korb. Thank you very much, Mr. Chairman.

I have a statement for the record that I would like to introduce.

Senator **Jepsen**. All the formal statements today will be entered into the record as if read.

Because of the numbers, I would respectfully request that you try to limit your oral statement to 3 to 5 minutes so that we may hear from each of you and have time for questions.

The subcommittee will attempt to do its part by operating under the 5-minute rule for questioning.

Dr. Korb, you may now proceed.

Dr. **Korb**. Thank you very much, Mr. Chairman.

It is always a pleasure to be here before you and to be here today with Secretary Philbin, Mr. Conti and my Reserve colleagues.

As you know, the subject of the Active/Reserve mix has received a great deal of attention from this administration since the day it took office.

Secretary Weinberger addressed the committee and committed the Defense Department to achieve the best possible mix of Active and Reserve Forces to meet our national defense needs.

There is no higher priority we have than to make the total force a reality. Early on we sought to enhance the Reserve Forces because their readiness was simply too low, especially the Army Reserve components.

We have made and plan to make changes in the mix of the Active and Reserve Forces to achieve what we feel is a properly balanced and totally equipped force consistent with our military strategy and the level of funding available to the Department.

In our view, the overall increase in Selected Reserve manpower is the most dramatic indicator of our commitment. By the end of fiscal year 1985, the Selected Reserve will have grown almost a quarter of a million people from the level inherited by this administration.

The rate of increase in Selected Reserve strength from fiscal year 1980 to fiscal year 1989 will be almost four times the rate of the Active Forces increases. In 1985 alone the manpower rate growth requested for the Reserve is four times that requested for the Active Forces.

By the end of fiscal year 1985, the Army Guard and Reserve will have more people actively serving in units than will the Active Army. The Selected Reserve is the largest it has ever been and the ratio of Reserve to Active is greater than it has been in three decades.

We are also making substantial increases in the amount of equipment and weapon systems being issued to Reserve and component units. The Army is adding 60 new equipment and weapon systems to its Reserve component units. These include radios, trucks, helicopters, artillery radar and automated data processing systems. A full $1.4 billion in our fiscal 1985 budget will go for this particular undertaking.

The Navy will begin F/A-18 training in one Reserve squadron this year. The squadron will be equipped with its own aircraft in 1986. In fiscal year 1985 the Navy will equip one squadron with F-14 aircraft.

The Air Force is also converting Reserve and Guard units to the F-15 and F-16 aircraft.

There are also some mission transfers from the Active components. For example, the Air Force will activate an AFR squadron of eight C-5A aircraft in fiscal year 1985. A total of 34 C-5A aircraft is planned for transfer from the Active Force by the end of this decade.

The Navy will continue its frigate transfer program begun in fiscal year 1982 until a total of 24 frigates is assigned to its Reserve fleet in fiscal year 1988.

The Naval Reserve will get its third modern mine countermeasures ship in fiscal year 1986 and a combination of eight new mine sweeper-hunter and mine countermeasures ships will be delivered to the Reserve fleet by fiscal year 1989.

The Army plans to transition 14 active units, mostly of company size, to the Reserve components in fiscal year 1985.

Through the efforts of my office beginning in early 1981, much has also taken place in the Department to enhance its understanding of how to address issues of total force composition and to improve the quality and availability of the decision information in that regard.

We have developed an approach to an improved decision process to add more discipline, accountability, and visibility to a system that was, in my view, subject to errors of omission of important considerations.

Before spending a few seconds on the decision process, let me express to you very briefly my own manpower philosophy.

If we have a job that must be done by the Department, we look first to the private sector. If it must be done in-house, we look first to Government civilians. If done by the military, we look first to the Reserve and finally to Active duty military people.

The improved decision process will be used to make the kind of marginal changes in the Active/Reserve Force mix that are made each year by the services.

The basic approach involved:

Selecting and refining the definitions of the key decisions;

Standardizing the application of these factors within a decision logic.

Our objective is to design a simple, straightforward process that could be readily used as a management tool, both in making decisions and planning the supporting rationale.

Our work on the decision process, however, has showed us we have to do more things.

It showed us we have limited capability within the Department to provide timely and adequate cost comparisons for Active versus Reserve component force options. This situation has already improved.

It showed us that we lacked definitive planning factors to relate required training activity and resources to specified proficiency/readiness levels, especially for ground force units.

It showed us we needed to define better the morale and retention impacts of reductions in the size of the rotation base.

In addition to having a decision process for making unit-by-unit decisions, I believe we need to address the total force structure concerning, for example, balance, affordability, and capability over the program period.

Issues of this kind can only be addressed by some separate periodic overall review and assessment.

As a result, we have developed the following agenda for work in 1984:

My office will undertake the development of a DOD directive to provide clearer policy guidance.

My office will develop a proposed agenda for an initial total force review along with the organizational arrangements for its conduct.

Cost guidelines for force mix decisionmaking will be developed.

Both the Army and Marine Corps have agreed to continue to develop a better information base on training requirements and related cost factors.

My office will lead an effort to develop better decision guidelines for reflecting rotation base considerations in Active/Reserve decisions.

In addition to these efforts, each service has recognized the importance of the Active-Reserve mix issue and each has its own agenda to improve force mix decisionmaking.

In summary, let me point out because of Congress' support of the President's program to rebuild America's military strength, much has been done and much will be done to increase and enhance the Reserve components' contribution to the total force.

We have provided substantially more manpower and modern equipment to improve the capability of Reserve Forces.

Added units are being organized, such as Air Force C-5 squadrons, Army divisions, Navy frigates, and mine countermeasures ships.

Potential for disproportionately faster growth in the Reserve components is even greater as the size of the total force grows. In addition to manpower, equipment, and force structure increases for the Reserve components, a great deal is happening within the Department concerning the Active/Reserve mix:

We have developed a more visible procedure for ensuring that the Active/Reserve Force mix decision process considers all relevant factors.

We are developing cost factors and collecting cost data to help in the development of cost outlines for economic analysis in decisionmaking.

We developed an agenda for more work in the Department and many of the actions are underway.

There are some general cautions, however, that should restrain those who will seek faster and more extensive shifts of missions from Active to the Reserve Forces.

One very large cost advantage in using Reserve Forces is that personnel to a large extent come into the Reserves already trained from an Active Force enlistment. A smaller Active Force will shrink the size of this prior service pool and drive up the training costs for Reserve units.

Second, as the Reserve Policy Board has noted in its comments in its report to the Senate Armed Services Committee, much of the Reserve Force is still short of equipment and some Reserve units need to recruit more people.

Before a major increase in the size and mission of the Reserves is undertaken, the current force should be more fully resourced.

Third, each unit case is an individual decision process because the location of the Active or Reserve unit affects the need and potential for facilities, construction, recruiting and retention, economies of scale and the like.

Fourth, there are no free lunches. A total force that has to become overly dependent on Reserve components because of cost factors may not only result in changing our military strategy, but could also force us to alter our national objectives.

In my view, we are close to the tipping point in certain areas. As indicated in my earlier remarks, this administration has placed increased dependence on the Reserve.

If we are mandated to do significantly more by the Congress than we had originally contemplated, this will inevitably result in altering our national objectives.

While the Department does understand the concern of the Congress about using Reserve component forces as a result of more cost-effective mix of the Nation's total force, we are committed to that goal also.

We have made much progress in the past year. Let me assure you that that work will continue.

Thank you.

[The prepared statement of Dr. Korb follows:]

PREPARED STATEMENT OF LAWRENCE J. KORB, ASSISTANT SECRETARY OF DEFENSE (MANPOWER, INSTALLATIONS AND LOGISTICS)

Mr. Chairman and Members of the Committee; I thank you for the opportunity to present to you information regarding the mix of active and reserve forces in our Total Force structure. This is a subject that has received a great deal of attention by this Administration, and I am pleased to discuss the latest developments within the Department of Defense in this area.

Let me start by reminding you that this Administration, since its inception, has been committed to achieving the best possible mix of active and reserve forces to meet our national defense needs. Early on we sought to enhance the reserve forces because their readiness was too low -- especially in the Army Reserve Components -- and because their full potential for contributing to our defense had not been reached. We have made, and plan to continue to make, changes in the mix of active and reserve forces to achieve what we feel is a properly balanced and equipped Total Force. We have definitely not ignored the Reserve Components.

The policy of the Department with regard to the mix of active and reserve forces is to achieve the most cost-effective mix of active duty, reserve, civilian and contract personnel consistent with peacetime deployment requirements and responsiveness to war. Further, all new forces will be assigned to the Reserve Components unless reasons of overseas stationing, operations, or responsiveness preclude it. We adhere to this policy, and test its application as best we can as we review the Service programs and budgets as part of the PPBS process.

In the past 18 months, we have been carefully reviewing our current capability to allocate these forces to achieve the required military capability in the most cost-effective manner. The results of that review have been made available to the Senate Appropriations Committee and to others in a series of reports. In the main, we found that we could describe a more rigorous and rational decision process for making these decisions. We have developed, initially tested and are in the process of implementing this new decision process in all the Services and in OSD. This will, in the future, enable us to fine tune our decisions and provide you with a more complete explanation and justification of why the force mix decisions we have made should be supported. I will describe this decision process in more detail later in my statement.

Selected Reserve Manpower

The overall increase in Selected Reserve manpower is the most dramatic indicator of our commitment to the Reserve Components.

- By the end of FY 1985 the Selected Reserve -- that is, those reservists actually assigned to units and individual mobilization augmentees who drill and train on a regular basis -- will have grown almost a quarter of a million people from the level inherited by this Administration.

- At end FY 1980 the Selected Reserve was 42% of the size of the active force. By end FY 1989 it will be 54% of the active force size.

- The rate of strength increases in the Selected Reserve in those eight years will be almost four times the rate of the active force. Although the Army shows the greatest difference between its active and reserve strength changes, the other Services show a Selected Reserve that is growing at least twice the rate of its active force.

- In absolute terms, the manpower changes are significant. Over the eight year period the Selected Reserve will increase by 360,000 while the active force will increase by only 217,200.

- For FY 1985 the manpower rate of growth requested for the Reserve Components is four times that requested for the active force.

- In FY 1986 the Army's active and Selected Reserve strength will be essentially equal. In fact, by the end of FY 1985 the Army Guard and Reserve will have more people actually serving in units than will the active Army.

The rate of change in strength of the active and Reserve Components is shown in Figure 1. The raw data are contained in Table 1.

Figure 1

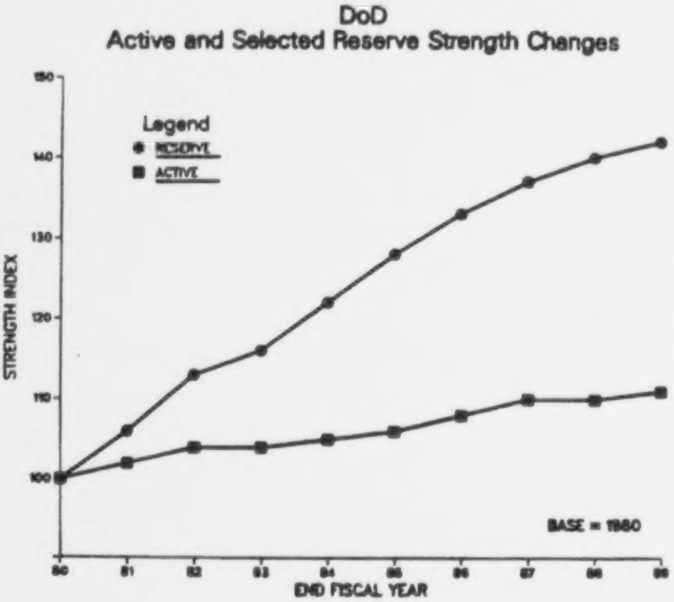


Table 1

DOD MILITARY STRENGTH AT END FISCAL YEAR
(000s)

	Active	Selected Reserve
1980	2036.2	860.9
1981	2070.1	909.2
1982	2108.6	974.5
1983	2123.3	1004.5
1984	2135.9	1051.5
1985	2165.8	1103.7
1986	2207.1	1150.0
1987	2230.4	1177.9
1988	2244.7	1210.9
1989	2253.4	1222.7
% Change		
FY 84-89	6%	16%
FY 80-89	11%	42%

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* Actuals through 1983. Prior to 1983, Selected Reserve strength has been adjusted to account for Navy Training and Administration of Reserves (TARs) and hence to be consistent with later years.

Equipment Improvements

We are also making substantial increases in the amount of equipment and weapons systems being issued to Reserve Component units. Much of that equipment is first-line modern equipment. For example,

- The Army is adding 60 new equipment and weapons systems to its Reserve Component units. These include tanks, trucks, helicopters, artillery radar, radios, and automated data processing systems. The objective is to make all Reserve Component units equipment-compatible with the active force. Approximately $1.4 billion of new equipment is projected for distribution to the Army Reserve Components in FY 1985.

- The Navy will begin F/A-18 training by one Reserve squadron this year. The squadron will be equipped with its own aircraft in 1986. In FY 1985 the Navy will equip one squadron with F-14s.

- In a similar way the Air Force is converting Reserve and Guard air defense and tactical fighter squadrons to the F-15 and F-16 aircraft.

Force Structure Transition

These increases in Reserve Component strength and equipment mean that many more units are being formed in the National Guard and Service Reserve forces. But there is also some transitioning of missions from the active component. For example,

- The Air Force will activate an Air Force Reserve squadron of eight C-5A aircraft in FY 1985 with a total of 34 aircraft planned for transition by FY 1989.

- The Navy will continue its active-to-Reserve frigate transfer program begun in FY 1982 until a total of 24 frigates are assigned to its Reserve Fleet in FY 1988. Also, the Naval Reserve will get its first modern mine countermeasures ship in FY 1986, and a combination of eight new mine sweeper-hunter and mine counter-measures ships will be delivered to the Reserve Fleet by FY 1989.

- The Army plans to transition 14 active units, most of company size, to the Reserve Components in FY 1985. The significant mission changes in the Army Reserve Components over the next few years are the conversion of units to the new Division 86 design and the continued formation of the ninth National Guard Division. In all, 225 units of battalion and company size are converting to the new design.

Management Improvements

Much has taken place within DoD in the past year to enhance its understanding of how to address issues of Total Force composition and to improve the quality and availability of the decision information in that regard. After working with the Military Services for about eight months, we have developed an approach to an improved process for deciding force composition issues. That process, described in the following section, seeks to add more discipline, accountability and visibility to a system that was, in my view, subject to errors of omission of important considerations.

The Decision Process

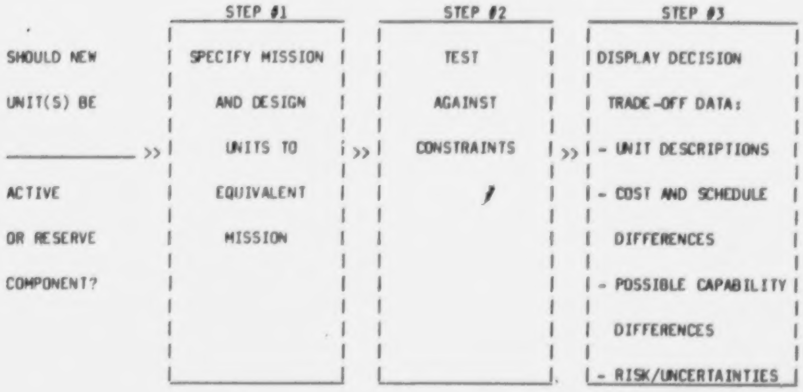
The improved decision process is to be used for making the kind of marginal changes in the active/reserve force mix that are made each year by the Services as they develop their Program Objective Memoranda. To a large extent, the improved process is based on existing Service concepts and ideas.

The basic approach involves (1) selecting and refining the definitions of the key decision factors and (2) standardizing the application of these factors within a decision logic. Our primary objective was to design a simple, straightforward process that could readily be used as a management tool both in making decisions and in explaining the supporting rationale. Another objective was to standardize the process to yield consistent results across DoD, while, at the same time, providing enough flexibility to accommodate the unique aspects of each Military Department and Total Force Component. The decision process should assist all management levels of DoD by organizing and displaying the information needed to make informed force mix decisions in the context of requirements for military capability and available resources. It is not designed to provide the answer automatically; it is intended to help identify the key

But the set of criteria or decision factors is not enough. In order to apply the factors in a logical way, we also developed an organized procedure for their use. An overview of the decision logic is shown in Table 3. Both the order of the procedural steps and the steps themselves are important to the process.

Table 3

Outline of Decision Logic Procedures


SHOULD NEW UNIT(S) BE ____ ACTIVE OR RESERVE COMPONENT?
STEP #1
SPECIFY MISSION AND DESIGN UNITS TO EQUIVALENT MISSION
STEP #2
TEST AGAINST CONSTRAINTS
STEP #3
DISPLAY DECISION TRADE-OFF DATA:
- UNIT DESCRIPTIONS
- COST AND SCHEDULE DIFFERENCES
- POSSIBLE CAPABILITY DIFFERENCES
- RISK/UNCERTAINTIES

The primary objective of the first step is to force early definition of the specific mission for which a force mix question has arisen. From this description it is then possible to lay out a description of the characteristics required of the active and reserve military unit alternatives. This first step is basic to the procedures that follow and has important implications. First, it is assumed that the purpose of a force unit should be known before one proceeds to decide in which component of the Total Force it should be located. Second, the purpose or mission of the unit must include a description of its planned employment as reflected in war/contingency scenarios or plans.

Specifically, its deployment or availability schedule is critical because when a unit is to be used is as important as how a unit is to be used, when considering force mix decisions. For this reason, active versus reserve comparisons for generic types of units or mission categories are of only limited value in the absence of actual requirements for deployment/employment timing.

Before the decisionmaker proceeds further in the comparison of alternatives, the necessity for doing so should be established. In Step 2 the alternatives should be tested against the constraining factors to determine whether peacetime forward deployment or legislation directs the decision to either the active or the reserve component without consideration of cost or other trade-off factors.

Assuming that Step 2 does not end the process, the relevant decision information will be developed and displayed for the alternatives -- (1) organize the unit in the active component, (2) organize the unit in one of the reserve components, or (3) some combination of both such as a roundout program or a reserve associate unit. The information will summarize and contrast the differences in --

- How the unit would be organized, manned, equipped and trained to accomplish the specified mission;

- The estimated capability and limitations, if any, in carrying out the mission;

- The costs over time, and the schedule of building and sustaining each alternative, including the sensitivity of the cost differences to uncertainty in unit specifications and cost factors; and

- The potential risks associated with each alternative especially where important judgmental differences exist or where key estimates could be in error.

Through the application of the factors in the step-by-step logic, the key issues, information and differing viewpoints that bear on the force mix decision should become apparent. In this way an informed judgment can be made of how best to balance the military value and costs of the alternatives, with an understanding of the uncertainties and risks involved. The concept embedded in this approach recognizes that the science of estimating and forecasting military requirements and costs is an imperfect one. Consideration of uncertainties and legitimate differences of view are therefore an inseparable part of the process. Making these differences of view and their implications explicit and clear during the process will be beneficial. The review and justification of decisions should be enhanced to the extent that the decision and supporting data are documented in some organized way. More important, it would aid in the tracking of actual experience versus earlier estimates and judgments and could, over time, help reduce uncertainties and differences of opinion.

An Agenda for Further Improvement

During our work on the decision process we gained some insight as to how these decisions fit into the overall DoD management of the Total Force. We observed that three significant information/data deficiencies now have impact on force mix decisions.

- The first is the limited capability in DoD to provide timely and adequate cost comparisons for active versus reserve component force options. This problem is not uniform across services or mission areas; in some instances reasonable capability has been developed.

- The second deficiency concerns the lack of definitive planning factors or estimates to relate required training activity and resources to specified proficiency/readiness levels. This is especially true for ground force units.

- The third deficiency relates to the size of the CONUS rotation base. Each of the military departments requires that a certain number of active duty spaces be retained in CONUS to support required rotation of the forces stationed overseas or at sea. Failure to provide for the regular rotation of deployed forces results in overseas tours, often unaccompanied, which are longer than desirable. These long tours then negatively affect morale and retention of our personnel.

Moreover, we observed that the force mix decision process discussed above is designed to handle individual unit designations within a given Total Force structure, that is, decisions at the margin. However, it will not directly address questions, for example, concerning the entire Total Force balance, affordability, or capability over the program period. Issues of this kind can only be addressed by some separate, periodic overall review and assessment of the existing Total Force structure. Such a periodic review from a Total Force perspective may be a useful adjunct to the marginal decision process.

As a result, we have developed the following agenda for work in 1984.

- Policy Guidance. OSD will undertake the development of a DoD Directive providing more clear policy guidance concerning the conduct and documentation of force mix decisions.

- Total Force Review. Rather than decide at once to undertake a major Total Force review that might be duplicative of

Service efforts, we will develop a proposed agenda for the initial review along with the organizational arrangements for its conduct. Unless the review agenda is clearly stated, there could, perhaps, be an undesirable duplication of service functions by the review group. Once the agenda and organizational concept are developed, the potential for a Total Force review will again be considered.

- Cost Guidelines. Better cost guidelines for force mix decisionmaking will be developed. The work of the Rand analysis, the LMI case studies, the Reserve Forces Policy Board, as well as Service cost analyses and factors will be important to the development of these guidelines.

- Cost of Training Activity. Both Army and Marine Corps agreed to continue to develop a better information base on training requirements and related cost factors to aid in active/reserve mix decisionmaking.

- Rotation Base. My office has begun an effort to develop better decision guidelines to reflect rotation base considerations in active/reserve mix decisions.

In addition to these efforts, each Service has recognized the importance of the active/reserve mix issue. Each of them has its own agenda to improve force mix decisionmaking.

Summary

In the 1980's, because of Congress' support for the President's program to rebuild America's military strength, much has been done and much will be done to increase and enhance the reserve component contribution to the Total Force. Manpower for the reserve components is growing at a rate almost four times faster than for the active force; for FY 1985 the budget request shows a reserve component growth rate four times that of the active force. Modern equipment, e.g., M-1 tanks, M-2 fighting vehicles, F-16s, F-15s, and F/A-8s, is now being issued to improve the capability of reserve forces. Added units are being organized such as Air Force C-5 squadrons, Army divisions, Navy frigates, and mine countermeasures ships. The potential for disproportionately faster growth in the Reserve Components is even greater as the size of the Total Force grows.

In addition to manpower and force structure increases for the Reserve Components, a great deal is happening within DoD concerning the active/reserve mix:

a. A more visible procedure for ensuring that the active/reserve force mix decision process considers all relevant factors has been developed.

b. Cost factors and data are being collected and analyzed to help in the development of cost guidelines for economic analysis in decisionmaking.

c. An agenda for more work within DoD has been developed and many of the actions are underway. These include better and more useful policy and cost analysis guidance.

There are some general cautions, however, that should restrain those who would seek faster and more extensive shifts of missions from the active to the reserve forces.

- First, one very large cost advantage in using reserve forces is that personnel to a large extent come into the reserves already trained from an active force enlistment or appointment, although, in many cases, some new training is required because the skills gained by people while they were in the active force do not always match those they need in the reserve unit. Significant shifts in the mix to a smaller active force will shrink the size of this prior service pool and drive up the training costs for reserve units. Moreover, as fewer active units are available to perform peacetime workloads, the operating tempo of reserve units will have to be increased by additional voluntary drill days or more full-time support personnel. These factors tend to reduce the cost savings that normally accrue to reserve force structure choices.

- Second. much of the reserve force is still short of equipment and some reserve units need to recruit more people. Before a major increase in the size and missions of the reserves is undertaken, the current force should be much more fully resourced. Substantial funding toward this end is contained within the DoD Five Year Defense Program.

- Third, each unit case is an individual decision process because location affects the need and potential for facilities construction, recruiting and retention, economies of scale and the like.

In sum, the Department of Defense understands the concern of the Congress about using Reserve Component forces to develop the most cost effective mix of the nation's Total Force. We have made much progress in the past year in improving the mix of active and reserve forces and in finding the best way to make further improvements. That work will continue.

Senator JEPSEN. Thank you.

Dr. Philbin, will you come to the table. We will then ask questions of both of you after you have finished.

STATEMENT OF HON. EDWARD PHILBIN, ACTING ASSISTANT SECRETARY OF DEFENSE FOR RESERVE AFFAIRS

Dr. PHILBIN. Good morning, Mr. Chairman.

I am grateful for this opportunity to testify on force mix and the status of the Guard and Reserve components of the Armed Forces of the United States.

The seven Reserve components represent a first class fighting force fulfilling global responsibilities on a daily basis.

Army Guard and Reserve, Air Guard and Reserve and Navy, Marine Corps and Coast Guard Reserve units are involved in both operational and training missions that run the gamut from a landing exercise on NATO's northern flank, to 24 hours a day air defense of the continental United States and Hawaii, medical evacuation in Lebanon, combat support missions in Grenada and antisubmarine patrol missions over the oceans of both hemispheres.

The Reserve Forces are not a panacea, there are without doubt many missions that in peacetime must be assigned to the Active Forces alone, but it is a brag within the Reserve Forces that in their professional abilities and their dedication one cannot distinguish a Guardsman or Reservist from his or her full-time Active Force counterpart.

Effective fighting forces are a product of proper equipment and training and cohesion of personnel. The military forces throughout modern history that have distinguished themselves in battle—be they regulars or reservists—have had as their common denominator a sense of pride and unit identity.

It is essential that funds continue to be made available to equip and train the Reserve Forces and to insure that they are integrated into the military structure as fully functional units or, when appropriate, as trained individuals, but always as equal partners in defense of the Nation.

In my written statement I have gone into some detail on the manpower and equipment status of the Reserve components. An effective force mix is contingent on both trained Guard and Reserve manpower in adequate numbers and on equipment that is both appropriate to the missions and compatible with the Active Forces.

If I were asked to identify which of these represented the greatest problem today, I would say that the shortage of modern, compatible equipment is the more severe of the two.

The problem of an aging aircraft inventory is enormous—it has overtones of safety as well as combat effectiveness. Incompatibility in communications equipment between Reserve and Active components can cost lives and lose battles. Shortages in medical equipment are another area of grave concern. There are many others.

Despite the difficulty and magnitude of the problem, the Guard and Reserve Forces will be relied upon to fulfill their wartime responsibilities should a crisis arise.

In many instances we literally cannot field an effective combat force without them. In recognition of this reality, Congress and the

Defense Department must continue to address this problem with all the dedication that it so obviously deserves.

The treatment of comparative costs between like units of the Active, Guard, and Reserve is an important element in the force mix decision process. Obtaining proper comparative data has been difficult and much work remains to be done in this area.

There is, however, general agreement that units in the Reserve components cost less than like units in the Active Forces. While this is true for the most part, it is also recognized that the cost differences vary greatly depending upon the type of units and the tempo of operations demanded of them.

An F-15 squadron costs as much to equip in the Guard or Reserve as it does in the Active Air Force. The number of flight hours the squadron produces and the kinds of training it performs have a direct effect on the operating cost irrespective of the component.

On the other hand, the personnel costs associated with the Active squadron, that includes pay for its complement of officers and enlisted personnel throughout the year and retirement costs any time after they complete 20 years of active service, are inescapably greater.

There may be additional up-front costs associated with assignment of units and missions to the Guard and Reserve. For example, demographic factors may dictate locating a Guard or Reserve unit where it can be best supported by the population base rather than where it might operate most efficiently from a purely military point of view.

Such costs should not deter us from making Active/Reserve mix decisions, but they must be recognized.

The Guard and Reserve must be assigned missions compatible with their unique mode of operation; they must have sufficient time to prepare themselves for their wartime missions; they must be properly manned and given adequate resources for equipment as well as for training, maintenance and operations.

If these conditions are met, then the Guard and Reserve can be counted upon to fulfill their role in the national defense.

I am convinced that as we continue to seek ways to improve the efficiency and employment of our Guard and Reserve, we will, at the same time, improve the total capabilities of our national defense establishment and that, of course, remains our foremost aim.

Mr. Chairman, this completes my prepared statement. I am grateful for the opportunity you have given me to appear before you today and I am prepared to answer any questions you may have.

[The prepared statement of Dr. Philbin follows:]

PREPARED STATEMENT OF EDWARD J. PHILBIN, DEPUTY ASSISTANT SECRETARY OF DEFENSE (RESERVE AFFAIRS)

Mr. Chairman, Members of the Subcommittee, I am grateful for this opportunity to testify on force mix and the status of the Guard and Reserve Components of the Armed Forces of the United States.

The seven Reserve Components represent a first class fighting force fulfilling global responsibilities on a daily basis. Army Guard and Reserve, Air Guard and Reserve and Navy, Marine Corps and Coast Guard Reserve units are involved in both operational and training missions that run the gamut from landing excercises on NATO's northern flank, to 24-hours a day air defense of the Continental United States and Hawaii, to medical evacuation in Lebanon, to combat support missions in Grenada, to anti-submarine patrol missions over the oceans of both hemispheres. The reserve forces are not a panacea, there are without doubt many missions that in peacetime must be assigned to the active duty forces alone, but it is a brag within the reserve forces that in their professional abilities and their dedication one cannot distinguish a Guardsman or Reservist from his or her full-time active force counterpart.

Effective fighting forces are a product of proper equipment, training and cohesion. The military forces throughout modern history that have distinguished themselves in battle be they regulars or reservists have had as their common denominator a sense of pride and unit identity. It is essential that funds continue to be made available to equip and train the reserve forces and to insure that they are integrated into the military structure as fully functional units or, when appropriate, as trained individuals but always as equal partners in defense of the nation. While the focus of this hearing is on force mix I would like to first address some specific areas of Guard and Reserve readiness that are germane to the force mix issue.

Selected Reserve Strength

The strength of the reserve components continues to improve. In 1983 the Selected Reserve exceeded 1,000,000 members, the highest strength level achieved since 1961. However, both the Army Guard and Army Reserve have experienced a downturn in recruiting for the first quarter of FY 1984 (Oct - Dec 83). Army Guard accessions were down 34% from a year ago; Army Reserve accessions were off 11% from the same period in 1983. Despite these difficulties we expect to reach this year's objectives through increased recruiting efforts and continued good retention in the Guard and Reserve.

recruiting a solid foundation comparable to that of the active component recruiting program. We are now reaping the benefits of this professional reserve recruiting force in the number and quality of enlistments. Additional funds for Guard and Reserve advertising have also been provided. These resources have proven to be very cost-effective and should be continued.

Third, to expand the recruiting market, a split training option was initiated which allows full-time students and seasonal workers to participate in the Selected Reserve without interfering with normal school and work schedules. By splitting the usual 12-week initial active duty for training period into two increments this option permits the reserve components to enlist greater numbers of talented high school and college students while they are still in school and attract seasonal workers as well. This program will be expanded as we strive for more enlistments within an increasingly constrained pool of eligible military manpower.

Fourth, the Congress has made available additional Full-Time Support personnel (these include Active Guard and Reserve and military technician positions), to provide the Reserve Components with day-to-day management, administration, training, and maintenance. By the end of FY 1985, the

Air National Guard and the Air Force Reserve will have 27% and 12%, resepctively, of Selected Reserve strength in Active Guard/Reserve or military technician FTS positions. These levels are expected to increase somewhat with changing missions and conversion to more technologically complex aircraft and equipment. FY 1985 FTS levels for both the Army National Guard and Army Reserve will amount to approximately 11% and 8% respectively. These are expected to increase to 16% and 11% of Selected Reserve strength by FY 1988 in order to bring combat readiness to required levels. In the Naval Reserve, FY 1985 FTS will amount to approximately 12-13% of Selected Reserve strength. Table 2 shows the strengths that have been programmed in order to meet the FTS requirements for the Reserve Components through FY 1988.

TABLE 2
FULL-TIME SUPPORT

	FY 1985 End Strength	Projected FY 1988 End Strength
Army National Guard	50,702	78,800
Army Reserve	22,612	34,000
Naval Reserve	15,410	18,000
Marine Corps Reserve	1,129	1,700
Air National Guard	29,070	30,200
Air Force Reserve	8,928	9,500
TOTAL	127,851	172,200

Individual Manpower for Mobilization

The nation's demand for military manpower in wartime is initially filled by Active, National Guard, and Reserve forces. Since these forces alone will not meet total manpower requirements, the Department of Defense relies on other sources of pretrained manpower to fill the gap. Table 3 represents legislative action undertaken by this Congress to improve our military manpower situation. These elements are discussed below.

TABLE 3
CONGRESSIONAL SUPPORT OF MOBILIZATION MANPOWER PREPAREDNESS

(FY 1984 Defense Authorization Act)

- Military Service Obligation Extension
- Reserve Retiree Recall
- Stop-Loss Authority

The Individual Ready Reserve (IRR) and retired military members subject to recall constitute the largest part of the pretrained manpower pool. We have made great strides to enhance the management of this manpower pool. Current estimates of the number of members in these categories available for mobilization indicate that in the near term there would be significant wartime manpower shortfalls especially in combat arms and critical skill areas.

As a result of a number of legislative and policy initiatives IRR strength has grown from a low point of 342,000 in June, 1978 to 417,000 by the end of FY 1983. Table 4 shows IRR strength by service. Further significant strength increases will require both retaining members for longer periods and providing new sources of entry to the IRR.

TABLE 4
IRR STRENGTH BY SERVICE
(End FY - 000s)

Service	Actual FY 1981	Actual FY 1982	Actual FY 1983	Projected FY 1984
Army	223	230	256	266
Navy	99	78	70	85
Marine Corps	52	45	47	43
Air Force	45	43	43	31
DoD TOTAL	419	396	417	425

The President's Military Manpower Task Force recognized the need to increase the mobilization manpower pool and recommended that the Congress authorize longer service obligations. Also, as an interim measure, it recommended incentives to increase current IRR strengths. The Congress approved the Department's request to authorize the Secretary of Defense to extend the military service obligation from not less than six to no more than eight years and to resume IRR bonuses. An 8-year service obligation will be implemented on June 1, 1984. This will add about 150,000 members to the IRR beginning in 1990.

Ensuring sufficient numbers of people in the IRR, however, solves only part of the problem. To be consistent with our goal to create a more substantial and effective pretrained manpower resource we need to provide the services with the funds to manage this resource effectively. Such management includes personnel records maintenance, screening of key employees, establishing dependent entitlements, updating security clearances, offering training opportunities and providing pay and other benefits when appropriate. The FY 1985 budget request includes resources to continue initiatives in this area including the peacetime preassignment and predesignation of individuals to fill mobilization positions, training opportunities for more IRR members and expansion of service programs that identify mobilization positions that retirees can most effectively fill.

A major initiative with respect to retired reservists was enacted by the Congress in 1983. This change authorizes ordering to active duty retired reservists who have completed at least 20 years of service thus placing retired reservists on the same recall basis as retired members of the regular services.

The Congress also provided the President permanent emergency authority during periods of national crises. It allows him to suspend certain laws relating to promotion, retirement, and separation. During national emergencies this presidential power, normally referred to as "stop-loss" authority, allows the retention on active duty of personnel who might otherwise be released or retired. They would be retained on active duty until the President determines the need for their services no longer exists.

To ensure the rapid notification of individual Reserve members and military retirees in the event of mobilization, the Department plans to use "mailgrams" that consist of an order to active duty and an emergency travel warrant. The travel warrant is currently being standardized to expedite processing by commercial carriers. We are conducting a full technical analysis of the mailgram system to determine its surge capacity in the early days of mobilization. Backup systems such as computer-generated mail and direct mail are being examined as well.

We are confident that this integrated program of strength increases and improved management can satisfactorily resolve gross mobilization manpower shortages by 1990.

Locating members of the IRR who fail to keep the Department informed of their whereabouts remains a problem. At present, the majority of enlisted members of the IRR have 2 years or less remaining of their obligation. Our best judgment is that we can currently locate about 92% of these members. However, with an 8-year military service obligation, this problem will grow in actual numbers of non-locatables. The Department is seeking a means that would permit access to address information available from the Internal Revenue Service. This is a critical need which can be effectively satisfied in no other way and would enable us to improve and maintain our records on this vital source of mobilization manpower. We have examined alternative methods of obtaining accurate address information such as providing bonuses for updating addresses, but we believe these to be potentially very costly and less effective than IRS information.

Guard and Reserve Equipment

In December 1981, a few months after I assumed the position of DASD(RA), I reported to the Congress a shortfall of Guard and Reserve equipment of almost 18 billion dollars. That figure is now estimated to be in excess of 24 billion dollars. This does not reflect a backward trend in our efforts to equip the Guard and Reserve. What it does mean is that due to Congressional and Defense Department initiatives we are getting a much better handle on the magnitude of the equipment problem and are therefore becoming more explicit in its portrayal. The Congressionally mandated National Guard and Reserve Equipment Report for FY 1985 was delivered to the House and Senate on 15 February 1984. This is the third annual report on Reserve Component equipment status and it shows an improvement in certain areas but clearly indicates the magnitude of the problem remaining. Even the 24 billion dollar shortfall does not fully reflect such problems as modernization, substitution, aging/obsolescence, and non-deployability. Nevertheless, it is a much more realistic figure than the 18 billion dollars previously reported.

Expenditures are an indication that progress is being made. Over 8 billion dollars has been committed to Guard and Reserve procurement in the last four defense budgets, including the 1.7 billion dollars in the FY 1985 request. The impact of procurement against shortages, however, is not immediate since the readiness effects are not felt until the equipment actually enters the inventory of the reserve component. Due to procurement lead times, unscheduled distribution diversions, e.g., Foreign Military Sales or force structure changes which can alter the priority status of the intended recipient, equipment distribution seldom occurs during the year of procurement; often it is not evident before the second year after procurement. Thus in the current situation much of the impact of the 8 billion dollars in Guard and Reserve procurement has yet to be realized.

Where progress in equipping the Guard and Reserve is most apparent is in the redistribution of existing assets from the active to the reserve forces. Formerly the reserve forces were equipped almost exclusively with items that had been declared as outmoded or obsolete by the active forces. Today by contrast at least some first line equipment of the same type as that is being procured by the active forces is entering the reserve inventories. We are seeing a significant trend in this area which lends growing credence to the Secretary's policy that those forces which are to be used first must be provided resources first, irrespective of whether they are Active, Guard or Reserve. Some examples of this modernization during fiscal years 1983 and 1984 are shown in the following table.

	FY 82 ON HAND	FY 83 DIST	FY 84* DIST	CURRENT* TOTAL ON HAND
Army National Guard				
M-1 Tank	0	63	0	63
M60A3 Tank	90	42	68	200
Navy Reserve				
FFG-7 Frigate	0	0	3	3
F/A-18 Aircraft	0	0	12	12
Marine Corps Reserve				
KC-130T Aircraft	0	0	4	4
Air National Guard				
F-16 Aircraft	6	18	6	30
Air Force Reserve				
F-16 Aircraft	0	0	16	16

* Projections

Despite such progress, in general the conditions of which I spoke three years ago still prevail and will continue to do so for some time to come. Decades of neglect cannot be corrected overnight. The Army Guard and Reserve are still short of such critical items as trucks, personnel carriers, aircraft, air defense artillery. The Naval and Marine Corps Reserve have shortages of support equipment, engineer equipment and modern aircraft. The Air Reserve determining the total force mix. The services and OSD are fully aware of this need and have made progress in this area. I am assured that the results of this effort will be reflected in the Department's planning and programming review.

The treatment of comparative costs between like units of the Active, Guard and Reserve is an important element in the force mix decision process. Obtaining proper comparative data has been difficult and much work remains to be done in this area. There is, however, general agreement that units in the reserve components cost less than like units in the active forces. While this is true for the most part, it is also recognized that the cost differences vary greatly depending upon the types of units and the tempo of operations demanded of them. There may be additional up-front costs associated with assignment of units and missions to the Guard and Reserve. For example demographic factors may dictate locating a Guard or Reserve unit where it can be best supported by the population base rather than where it might operate most efficiently from a purely military point of view. Such costs should not deter us from making active/ reserve mix decisions, but, neither should those costs be ignored.

Modernizing the equipment of the total force is perhaps the most difficult issue we face today. The costs are enormous but the momentum to fully and adequately equip the units of the Guard and Reserve must continue if we are to have an effective and cohesive Total Force. If the units of the Guard and Reserve are given adequate resources for equipment as well as for training, maintenance and operations they can be counted upon to fulfill their role in the national defense.

I am convinced that as we continue to seek ways to improve the efficiency and employment of our Guard and Reserve we will, at the same time, improve the total capabilities of our national defense establishment and that of course remains our foremost aim.

Mr. Chairman this completes my testimony. I am grateful for the opportunity you have given me to appear before you today and I am prepared to answer any questions you may have.

Senator **Jepsen**. Thank you both.

RESERVE VERSUS ACTIVE UNITS

In his recent report on Reserves, Congressman Les Aspin explained that more Reserve units than Active units could be bought for a fixed dollar amount.

He then went on to argue that "Although an individual Reserve unit might not be as effective as an individual Active unit, the larger number of Reserve units could be used to offset this disadvantage."

I think this needs some clarification.

Dr. Korb or Dr. Philbin, is this claim correct and is a larger number of less effective units equivalent in combat power to a lesser number of more Active units?

Dr. **Korb**. In my view, no. I think what we have to do is refer to the comments you made in your opening statement. We are talking about readiness.

As you know, we have readiness criteria the same for the Active and the Reserve components, although they might report at a little different intervals. They are the same because this readiness is measured against our objective and our strategy.

If you told me you had a group of units that weren't ready, that means they couldn't carry out their mission. I don't care how many units we had, if they weren't capable to do what they were supposed to do, you don't have the capability to meet the need.

If the Congressman meant something else, I have not grasped it. But based on your reading, that is the way I feel.

Dr. **Philbin**. I don't think anybody involved in military planning or operations would feel that a greater number of less ready units would be acceptable for the defense of the Nation.

I would point out that given the types of missions that they can handle and the resources that are required to carry out those missions and the time to bring themselves to full combat readiness, the Guard and Reserve units can meet the same full readiness requirements in those particular areas required of the Active duty forces.

Senator **Jepsen**. Dr. Korb, I thank you for your comments on the studies.

I would like to welcome Senator Exon.

Senator, the Secretary and Mr. Philbin have just completed their testimony. I was late in starting, so we have just really gotten underway. Because of the number of witnesses, I announced earlier we would try to keep to the 5-minute rule.

I will ask a couple more questions and then I will defer to you.

Senator **Exon**. Fine, Mr. Chairman.

Senator **Jepsen**. Dr. Korb, thank you for your comments on the studies that have been completed and are ongoing in the Department on the Active/Reserve mix decisions process. Those studies will be most helpful to the committee as well as the Department.

COST COMPARISONS BETWEEN ACTIVE AND RESERVE COMPONENTS

As I noted in my opinion statement, I feel we must have the ability to make realistic cost comparisons between Active component and Reserve component performance of missions.

I know studies are ongoing in the Department. Will you give us an update of these studies and what we have learned so far?

Dr. **Korb**. As you mentioned, we have submitted to the Senate Armed Services Committee a cost study. We have also submitted copies to the Appropriations Committee and the Armed Services Committee.

In that, we basically say that we have developed, for example, how we will count particular things, personnel costs, flying hour costs, equipment costs. We have standardized this.

The real problem we have right now in costing is how to specify equivalent levels of performance for Army units or ground units. We feel that we have a reasonably good costing methodology right now for the Navy and Air Force that allows us to make these cost comparisons, but we really haven't been able to get all of the factors that go into the ground units.

I can quote in the study that we presented to Senator Hatfield. We have pages that go into exactly the criteria that were used and what more needs to be done. Primarily in the ground forces, we need a better handle on the different things we count.

As you know, the real problem here is the indirect cost and overhead cost, how one allocates those. The direct costs are pretty easy. You can look at what you pay people, you can look at flying hour costs, but when you get into the base operating support cost and maintenance cost, we need to develop a standard method of allocating these costs.

That is what is hanging us right now, particularly for the ground units.

NECESSITY FOR CHANGES IN RESERVE SERVICE

Senator **Jepsen**. We have discussed the necessity for basic changes in the Reserve service or the possibility of it. We have discussed in Congress the fact that the Reserve forces may well be called on to undertake more demanding missions requiring the increasing use of sophisticated equipment.

While we have been talking about it, we have not done anything about the training requirement of the reservists.

I would like to ask both of you whether or not we should begin to consider the increase in the time the reservists must devote to their training and are there other longstanding conditions that need to be changed if the reservists are to take on more of the burden of defense?

Dr. **Korb**. If, in fact, the Joint Chiefs of Staff decide that a Reserve component unit needs training and it cannot be done within the 1 weekend drill and basically the 2 weeks of active duty, then we are going to have to give them more time.

Some units already have that. I think the real question becomes how can you get enough people to give up more than essentially 1 month of their time.

If a person is in the Reserves, for example, you are asking him to work an extra month a year if you count just the normal 48 drills and 2 weeks in the summer. That comes up to at least an extra month.

Can that individual provide more than that? Is that going to be consistent with his job and his family responsibilities?

You are quite right. If you are going to ask them to do more, they have to meet the same training standards.

As Secretary Philbin mentioned, if we gave them the time and money, they could get right up to the level of the Active. The problem is can we get more of the time and, if in fact we do that, are we really saving money if they spend the same amount of time training as the Active?

Dr. PHILBIN. To begin with, not all the units of the Guard and Reserve do require increased training in this area. There are many units which can train adequately at the present level of 39 days, which is normal.

There are certainly other units which require and do put in more time. However, if we lay down a blanket policy, we will find many units will not be cost effective because it is not needed.

Second, if we ask for the increased time, not only are there the personal considerations of the reservists, but considerations of their employers as well who may be losing reservists who are going to be gone more than the 39 days a year that they are normally gone.

Therefore, I think we would at least have to have a change in the present law providing for equal treatment for guardsmen and reservists, to include some legislative change prohibiting discrimination in hiring guardsmen and reservists.

The bottomline is if we decide to increase the number of days of training, we would have to have some kind of national policy effort to convince the civilian population to support this type of hardship for guardsmen and reservists.

DECLINE IN RECRUITING OF GUARD AND RESERVE

Senator JEPSEN. Dr. Philbin, in your statement you point out that both the Army Guard and Army Reserve experienced a decline in recruiting in the first quarter of fiscal year 1984.

I appreciate your comments on what the reasons are for this down turn.

Did any other Reserve and Guard component suffer a drop in recruiting during the same period?

Also, have you recently detected any weakness in the Reserve and Guard components?

Dr. PHILBIN. With regard to the decline, sir, we feel that it is not the beginning of a trend as some people have said. It is an aberration for that period of time.

The reasons for it are under analysis and perhaps the Chief of the National Guard Bureau and General Berkman as well can give you more detailed information about that.

We do expect to meet all of the goals for the fiscal year, number and quality, for the Army Guard and other components as well. We see no increased problem in retention at this time. We carefully monitor that.

We are in the process of enhancing the retention programs that we already have.

Senator JEPSEN. Senator Exon?

Senator EXON. Thank you, Mr. Chairman.

Welcome, gentlemen, I am glad you are here.

I will try to keep my questioning down because we have so many witnesses. I will submit some questions for the record.

WOMEN IN COMBAT

The first thing I would like to ask you, Secretary Korb, and then you can follow up, if you will, Secretary Philbin, is the matter of women in combat.

I have learned something in the last few days that I have not heard before. I think I speak for the chairman, myself and the majority of the Senate on this. We do not feel that women should be placed in combat positions. Not all people agree with us on that; not all women agree.

Sometimes, however, I think we might be becoming too restrictive in that area. I just learned recently, for example, and correct me if I am wrong, Secretary Korb, that women and all reservists are prevented by regulation from serving in a Minuteman III missile crew.

Is it true that women will not be allowed to serve in the cruise GLCM's in Europe at the launch site?

Is it true that women are not allowed in that area? If they are not, then I suspect that it is something that we had better begin to correct because I suspect that most of the Members of the U.S. Senate do not consider a launchsite, whatever kind of missile it is, a combat environment that we object to women serving in.

I will let the chairman speak for himself. I do not consider it to be a combat zone.

Can you enlighten me on that?

Dr. KORB. Senator, as you know, the law prohibits women from being engaged in combat. Female members of the Air Force, except those designated under section 80–67 or appointed with a view to designation under that section, may not be assigned to duty in aircraft engaged in combat missions.

That is the law.

Senator EXON. I would agree with that. Now we are talking about missiles.

Dr. KORB. As you know, women are assigned to AWAC's aircraft. Women are assigned to tankers.

If, in fact, the Secretary of the Air Force decided that women should not be assigned to Minuteman silos, he must have what he feels is a valid reason. I do not know that reason. I would suggest you check with him on that particular aspect.

We have seen, since I have been in office, growth in the number of women in the services and in the number of positions where they may serve, particularly, for example, like women on AWAC's.

As I say, I don't know the reason for that particular policy, but I will check into it.

[The information follows:]

WOMEN ASSIGNED TO COMBAT MISSIONS

The Minuteman system is open to women except for the launch control crew positions. The reasons for this are as follows:

a. Minuteman crew alert duties are performed by two people in the close confines of a buried, internally secured, single room launch control center.

b. The crew is essentially isolated during the entire 24-hour alert tour.

c. Of prime concern in the crew force is the high potential for stress on crew members and families.

1. Results of an attitudinal study conducted in 1980 by Air Force Manpower and Personnel Center indicated that the majority of spouses of crew members, as well as a substantial number of married crew members, opposed mixed man/woman crews.

2. Based on this study, we would expect that mixed crews would result in additional stress, lower morale, and reduced retention.

3. Minimal privacy is offered because of space constraints. The only commode has curtains around it and is located in the launch control area.

The mixed man/woman launch crew concept policy was thoroughly reviewed in the first quarter of FY 84 and the decision was to continue the present course.

Given the critical importance of missile launch duty, the public's perception of the control provided nuclear weapons and the necessity for a stable crew force, the use of mixed crews in Minuteman is not in our best interest.

Senator EXON. I would appreciate it.

Do you personally see any objection to women serving in Minutemen silos or in the ALCM facilities in Europe?

Dr. KORB. Are you talking about the GLCM sites in Europe, the ground launch?

Senator EXON. Yes.

Dr. KORB. Again, based upon what I know, I don't see any problem with that. I am certain if the Secretary of the Air Force has made that policy, he has some pretty good reasons for it.

Senator EXON. I wonder.

Dr. KORB. This is the same Secretary, you remember, who put women in AWAC's, which seems to me to be more closely tied to title X than these other positions.

Senator EXON. Let me ask you, Mr. Secretary, how are we coming in the Reserve components in utilization of our women as airmen?

You cannot call a woman who is a chairman a chairman. I don't know how you get by with calling a woman who is in the Air Force an airman, but thus far you have escaped criticism. I suspect it is coming.

UTILIZING TALENTS OF WOMEN

What about the Reserve Forces? Are we utilizing the talents of women as have been proven in many areas as much as you think we should, Mr. Secretary?

Dr. PHILBIN. Yes, sir, I think we do.

During this administration the Department of Defense has made a concerted effort to open up as many military positions in the Active, the Guard and Reserve Forces, as is consonant with the law and good military operation.

There are at least as many percentage-wide in the Guard and Reserve Forces as there are in the Active Forces. I can tell you that every one of the Secretaries in the military Departments have made an outstanding effort to open up the opportunities for women in all the Reserve services.

The Guard and Reserve are merely a reflection of the Active Forces. I am satisfied that we are doing the fair and equitable thing in the Reserve Forces.

Senator EXON. What would be your reaction to the utilization of women in the types of situations that I just discussed with Secretary Korb?

Dr. PHILBIN. Neither one of those weapons systems is in the Reserve Forces, so all I can give you is personal opinion.

There is no doubt the women can perform the jobs required in both those weapon systems. However, it is a question of the defintion of the meaning of Congress in the combat prohibition because in the event of any type of conflict every one of those weapon systems could be targeted and would be a combat area.

Senator EXON. I would think that would apply to the intelligence aircraft that the Secretary referred to?

Dr. PHILBIN. Yes; it is a gray area.

Senator EXON. Maybe that is an area we should look into a little bit. You are looking in the future at manpower needs and I congratulate you for that because our committee has been concerned about that a long time.

Do you see the possibility of the use of reservists, for example, in manning Minuteman launch centers after proper training, of course?

Dr. PHILBIN. We have given that some thought. We are always looking for new missions that the Guard and Reserve can perform in a military and cost-effective fashion.

In regard to Minuteman silos, most of those are in remote areas, what we regard as the northern tier.

Senator EXON. Please don't regard Nebraska a remote area. I take exception to that. [Laughter.]

Dr. PHILBIN. We depend on the availability of skilled personnel within the local area. We are tied to the population base, and the demographics of the population of the United States really dictate the types of missions we can accept in various areas.

Our initial thought is that there probably is not enough of a population base in those northern areas to support that type of activity, although it is possible that we might find a pocket of skilled people who could either step in as prior service people to handle the mission or be trained to do it, but it is not a very easy problem.

It requires an awful lot of analysis before we go in that direction.

MAKING OPTIMUM USE OF PEOPLE

Senator EXON. I recognize it is not easy. Again, we have the responsibility to look to see how we can make optimum use of our people in the future. It seems to me that the Guard and the Reserve have highly qualified people that could arrange some kind of tour of duty and maybe relieve some of our forces to other areas.

With the expansion of deterrent in Europe, we are going to be somewhat pressed, I would think, by the manpower requirements in that area.

I have several other questions, but I guess my time is up, Mr. Chairman. I will, therefore, submit them for the record and try to keep within your timeframe.

Senator **Jepsen**. Thank you, Senator Exon.

In fact, as you have indicated, there are a number of reservists, I think more every month, that are going on active duty to relieve Active Forces. I know that is true in the Navy.

I was on the battleship *Iowa* the day before its shakedown. I was talking to the crew. There is a 56-year-old man back on duty—maybe 56 going on 30—full time. I asked him what he was doing. He was retired and came back.

I asked him what he was doing when he retired. He said he spent most of his time fishing. I asked him, "Why did you come back on active duty?"

He said, "The fish stopped biting." There was an old salty grin. I knew what he meant because they had a lot of folks there with 30 years experience. A prouder outfit I have never seen.

Senator **Exon**. Mr. Chairman, one more question.

The March 5 issues of the Navy Times indicated that Deputy Assistant Secretary of the Navy for Reserve Affairs, Mr. Davidson, said that the *Wisconsin* would be manned by reservists and then a week later the same news source reported that Secretary Lehman said this plan was discarded.

Do you have any information as to what that was all about?

Dr. **Korb**. No, sir, I do not.

Dr. **Philbin**. I do not either.

Senator **Exon**. Thank you, Mr. Chairman.

Senator **Jepsen**. Maybe we will find out from some of the leakers.

Senator **Exon**. We will read about it in the Washington Post.

Senator **Jepsen**. Thank you, Dr. Korb and Dr. Philbin.

I now call to the witness table Mr. Louis Conti, Chairman of the Reserve Forces Policy Board.

Your written testimony will be entered into the record as if read. You may proceed in any manner you so desire.

It is good to see you again. I think the last time I saw you we had breakfast and talked about Reserve affairs.

STATEMENT OF LOUIS J. CONTI, CHAIRMAN OF THE RESERVE FORCES POLICY BOARD, ACCOMPANIED BY MAJ. GEN. ROBERT W. TEATER, ARNGUS, MEMBER OF THE BOARD AND CHAIRMAN OF THE BOARD'S ACTIVE/RESERVE MIX COMMITTEE

Mr. **Conti**. Yes, sir.

Mr. Chairman and members of the subcommittee, I am honored to appear before you today to present for your consideration views on force mix issues from the perspective of the Reserve Forces Policy Board.

Accompanying me today is Maj. Gen. Robert W. Teater, ARNGUS, a member of the Board and Chairman of the Board's Active/Reserve Mix Committee.

I have submitted a statement for the record and will only highlight the salient issues contained therein. I wish to make it clear that the views expressed in this statement represent a consensus of the 21 members of the Reserve Forces Policy Board.

They do not necessarily reflect or represent either the views or positions held by the Secretary of Defense, the Military Departments or the Chiefs of the Reserve components.

The Reserve Forces Policy Board became involved in the force mix issue as a result of the reporting requirements placed on the Department of Defense by the Senate Appropriations Committee report, fiscal year 1983.

As a result of negotiations between Senator Hatfield and the Secretary of Defense on who would conduct the study, the Reserve Forces Policy Board was tasked to review the Department of Defense report and to provide its independent assessment of that report directly to the Senate Appropriations Committee.

In order to perform that tasking in a credible manner, I formed within our Board a special committee composed of members of the Board who are general and flag officers representing each of the Reserve components.

General Teater was named to chair this Active/Reserve Mix Committee. The committee was charged to study aspects inherent to the issues and to report its findings to the entire Board.

Examination of the issues led to investigation of the following areas which were addressed in the study. The force mix decisionmaking process; the determination of relative cost of both Active and Reserve Forces; force structure oversight management; the current and programed force structure; and demographics.

These different issues are covered in detail in my written statement.

This, Mr. Chairman, brings me to the conclusions and recommendations resulting from the Board's study. There are nine conclusions and recommendations resulting from the Board study as follows:

1. Conclusion: At the present time, there is no structured force mix decisionmaking process. Force mix decisions and the assignment of missions and functional areas of responsibility within the total force have not been made through a corporate management process.

Recommendation: That OSD provide the policy guidance to ensure a logically structured approach to be used in making force mix decisions.

2. Conclusion: There is currently no standard interservice costing methodology by which the services can assess comparative and actual costs of their Active and Reserve Forces in an accurate manner. It has been determined that it is possible to develop a common costing methodology to be used by all services to estimate costs of both their Active and Reserve Forces while recognizing any service's unique aspects.

Recommendation: That the system developed by the Reserve Forces Policy Board, in cooperation with the Services, be further refined by OSD and institutionalized as the costing methodology in making force mix decisions.

3. Conclusion: There is no single body, council, or committee responsible for the review and oversight of the total force structure.

Recommendation: That the Armed Forces Policy Council, which contains a balance of civilian and military members at the highest level, be responsible for the oversight and review of the total force structure.

In recognition of the enhanced role of the Reserve Forces in the total force structure, it is further recommended that the Assistant Secretary of Defense for Reserve Affairs, be made a permanent advisor to the Armed Forces Policy Council, and in consultation with the Reserve Chiefs, to provide input on force mix issues.

4. Conclusion: The weapons acquisition process as presently configured includes no formal consideration of Reserve Force capability and requirements. In recognition of the increased role of the Reserve Forces in the total force, representation must exist in the acquisition process at the highest decision levels of both OSD and the services.

Recommendation: That the Assistant Secretary of Defense for Reserve Affairs be given permanent membership on the Defense System Acquisition Review Council.

5. Conclusion: Traditionally there has been little Reserve Force representation on the Defense Resources Board.

Recommendation: That the Assistant Secretary of Defense for Reserve Affairs be made a permanent member of the Defense Resources Board.

6. Conclusion: When 100 percent of any mission is assigned to a Reserve component, Active planners, programmers, operators and logisticians have a natural tendency to assign a lesser priority in the weapon system/mission that is exclusive to the Reserve and no longer in the Active component.

Recommendation: That, with rare exceptions, no mission should reside solely in the Reserve Forces.

7. Conclusion: At the present time there is an imbalance in the force mix in some services in the combat to logistic and support ratio.

Recommendation: That the services review their total force composition and consider force mix changes that would provide the Active Force with an adequate response capability to meet contingencies without the necessity to recall the Guard and Reserve.

8. Conclusion: Reserve Forces have traditionally been resourced with older and in some cases obsolete, equipment, or structured and not resourced with the proper equipment.

Recommendation: That existing Reserve Forces be resourced to required levels or robusted with additional equipment, supplies, and personnel to allow them to achieve an operational readiness level consistent with the total force mission.

That a major planning, programing, and budgeting effort be undertaken by the services, OSD and the Congress toward Reserve component equipment modification and modernization before the trend toward block obsolescence of some weapons system and equipment becomes a reality.

In addition, all new missions assigned to the Reserve Forces should be resourced to required levels at the time of assignment.

9. Conclusion. The general consensus of demographic studies is that the population of the military age cohort will support Active and Reserve manpower requirements through the year 2000. However, the anticipated increase in competition for manpower will re-

assure broad, operationally sound, and immediately employable combat, combat support, and combat service support forces.

Like many of our Allies, we are finding in this country that the cost of maintaining a large standing Armed Force, coupled with the costs of modernization and discharging a worldwide obligation, is a sizeable economic burden, given the other demands and priorities for government services. The inability to fund an Active military force structure of the required size seems, historically, to be a fact of life. The understanding and acceptance of these facts is usually followed by a transfer of missions into the Reserve Components.

If for any reason there is a change in the balance and mix of the Active and Reserve Components, we cannot state strongly enough that such a step must be done within a carefully developed time frame and only after due deliberation. The Board would strongly counsel against such a change in any single fiscal year. The consequences are far more involved than the obvious or apparent fiscal savings.

Foremost in the consideration of shifting missions from the Active to the Reserve Components must be the question of balance: the most cost and military effective mix of Active and Reserve Forces; the nature of the force structure required to respond to an emergency; the trade-offs in military organization, response, readiness, sustainability, morale, international politicial consequences and cost savings which may result from such a reorganization.

The issue of Active and Guard/Reserve mix has been studied many times within the Department of Defense. The Reserve Forces Policy Board conducted a limited examination of the issues in our studies, The Reserve Forces in the 1990's (Volume I and Volume III) and in our recent readiness assessment reports. In those reports we urged, and continue to recommend, that the mix issue be carefully examined, and a constructive plan developed and implemented.

In an atmosphere of fiscal deficits, in which many different centers of influence are attempting to reduce defense spending, there is a tendency to rush into sudden changes to the force mix. These well-intentioned but heuristic efforts will not provide quick solutions to the problems but, in the end, could diminish our nation's defense capability.

Considerations for Changing the Mix of Forces

I submit for your consideration some of the concerns which the Board deems necessary to a rational examination of this issue. In the opinion of the Board, any transfer of missions from Active Forces to the Guard and Reserve must:

o be well planned, evolutionary in nature, and deliberately paced;

o consider the global missions and the strategic response required of both Active and Reserve Components;

o focus on the transfer of missions which Guard and Reserve can undertake in a cost effective and militarily effective manner with the minimum of reorganization or turmoil;

o focus on missions that the Guard and Reserve can, and are, doing well -- that is, those missions that are compatible with the Reserve Forces mode of operation.

It is essential that if missions and the manpower authorizations to carry them out are moved from the Active to the Guard and Reserve, then the necessary quantity of modern equipment must also be allocated to the Guard and Reserve Components. Most of the "plans" discussed in prior years have not included increased Guard and Reserve funding for facilities, equipment, full-time manning, training, travel, and the like. Any reduction of Active Forces with correspondent transfer of missions to the Guard and Reserve without proper resourcing cannot be permitted to happen as it exacerbates the problems of equipment, training and readiness levels and inhibits responsiveness in both the Active and Reserve Components.

Any transfer of personnel, units or missions from the Active Force will require adequate planning and support for Service schools, possibly additional training sites to be used during weekend and annual training, and considerable transitional support from the parent Service.

I reiterate my view that any transfer of missions from the Active Components which results in a substantial increase in the strength levels in the Reserve Components must be well planned, programmed and resourced.

The Board also believes that any reduction in the strength levels for our Active Components would be a serious mistake at this time. We base this conclusion on several factors, not the least of which is the strategic worldwide missions currently being undertaken by our active Armed Forces.

Reserve Forces Policy Board Involvement

The Reserve Forces Policy Board became directly involved in the force mix issue as a result of the Senate Appropriations Committee Report FY83. This report directed the Department of Defense to convene a panel of experts who were not government officers to report to the Congress by July 1, 1983 on how Guard and Reserve Forces could best be used to achieve our national defense objectives. The panel was directed to assess various mission categories to determine if the present division of responsibilities achieves the goals of Total Force. In comparing various options, the panel was directed to establish and use a common standard of defense, rather than continue the use of separate standards for Active and Reserve Forces.

The requirement that the study be conducted by a panel of non-government experts effectively by-passed the Secretary of Defense. In intervening correspondence between the Senate Appropriations Committee Chairman and the Secretary of Defense, it was agreed that the required report would be developed in-house by the Department. Dr. Lawrence J. Korb, Assistant Secretary of Defense for Manpower, Reserve Affairs and Logistics, was assigned responsibility for the development of the report working together with Dr. Edward Philbin, Deputy Assistant Secretary of Defense for Reserve Affairs. At that time it was agreed by the respondents that the Reserve Forces Policy Board would be tasked to review the Department's report after completion and provide the Senate Appropriations Committee with its independent views.

In order to respond to the tasking, I directed the formation of a special committee composed of members of the Board with General Teater as Chairman, to study the issue and report their findings to the entire Board. I directed that five (5) Guard and Reserve officers representing the Reserve Components be placed on a 179-day full-time assignment to investigate aspects inherent in the Active/Reserve mix and to assist the Board's committee in the development of its findings.

Subsequent to this tasking several other Congressional Committees placed additional reporting requirements on the Department of Defense, the Joint Chiefs of Staff and the Services addressing the same issue. As a result both the Authorization and Appropriations Committees of both Houses of Congress have expressed interest in the Force Mix Issue.

I am happy to report, Mr. Chairman, that the Reserve Forces Policy Board has fulfilled its charter. At our regular quarterly meeting held last week, General Teater's Active/Reserve Mix Committee reported out to the entire Board. First, they recommended a response to the Senate Appropriations Committee providing the Board's independent assessment of the Department of Defense study. This the Board approved and a letter has been forwarded to Senator Hatfield. Secondly, the committee reported on the Board's independent study of Active/Reserve Mix issues. The Board also approved the conclusions and recommendations from this study. It is to the Board's independent study of Active/Reserve Mix issues that I wish to direct my remarks today.

Reserve Forces Policy Board Study Approach

As a prelude to the Reserve Forces Policy Board Study, I gave to the Active/Reserve Mix Committee a broad charter. They were directed to conduct an unconstrained study of force mix issues. Based on this guidance, the committee developed the following mission statement:

MISSION STATEMENT

> Congress is persuaded that for less cost the Reserve Components can perform certain missions as well as, or better than, Active force counterparts. Accordingly, they have directed the Department of Defense to report to them how Reserve and Guard forces can best be used in order to achieve our national defense objectives. Furthermore, it is an inherent responsibility of the Reserve Forces Policy Board to advise the Secretary of Defense on the force mix of the Active and Reserve forces to satisfy these objectives.
>
> This study will review, by mission category, the present mix between the Active and Reserve

> Components using comparative parameters to determine whether Active, Reserve and Guard forces are utilized to optimize the goals of the Total Force policy. The study will assess current DoD Force Mix activities as well as generate additional information and recommendations.
>
> A final report will be prepared and published before the end of April 1984.

In pursuing the guidance of both the Board and Committee, the study group first examined requirements extracted from Congressional reports. The most stringent reporting requirements were levied by the Senate Armed Services Committee in the Omnibus Defense Authorization Act of 1984. The commonality of reporting requirements by the various Congressional Committees is indicated by the following questions:

1. How can the Guard and Reserve best be used to achieve national defense objectives?

2. Based on the assessment of various mission categories, does the present division of responsibilities achieve the goals of Total Force Policy?

3. What options do we have to decrease the role of Active Force and increase the reliance on Reserve Components on a cost effective basis?

The study methodology consisted of little new original research. The study principally involved a detailed examination of current available literature and interviews within the Office of the Secretary of Defense and the Services. The study group reviewed some 150 current pertinent documents, interviewed each of the Reserve Component

Chiefs, and interfaced with personnel in the comptroller and force structure divisions of each of the Services and OSD. Examination of the issues led to investigation of the following areas which were addressed in the study: the Force Mix Decision-Making Process; Determination of the Relative Cost of both Active and Reserve Forces; Force Structure Oversight Management; Current and Programmed Force Structure; and Demographics.

Let me make some brief comments on the study findings in each of the aforementioned areas:

1. Force Mix Decision-Making Process

It was determined early in the study that Force Mix decisions are made by diverse groups consisting of the Military Departments, the Defense Resources Board (DRB), and the Congress with the allocation of missions and/or units to the Active and Reserve Components made in an unstructured manner. There are no documented policy statements existing in OSD, JCS or the Military Departments which guide the decision-making process. There is some extremely limited policy guidance published in the Defense Guidance, but that appears to be the only place where it is documented. The Services use differing criteria and procedures in determining whether, and the extent to which, a mission will be placed in the Active or Reserve Component. The rationale for most decisions is not explicit, has little visibility, and is difficult to track. In the final analysis, it was determined that the need existed for the development of a planned corporate management policy at the OSD level which could be used by the Services in making force mix determinations. Mr. Chairman, the study developed such a process which included a series of Major Force Mix Decision Factors, a decision process and a logic for application.

2. Methodology for Determining Relative Cost of Active/Reserve Forces

It was discussed early in the study that rarely is uniform costing data used by the Services as a determinant in the Force Mix decision process. There is no commonly accepted methodology used by the Services for determining the relative costs of Active and Reserve units. Each of the Services uses a different costing method if, in fact, cost was considered at all. The need was apparent to clearly articulate a straightforward process for costing force mix alternatives. To address this deficiency, a methodology was developed, which considers standard cost factors for comparing direct annual operating and support (O&S) costs for similar units of both Active and Reserve. The methodology was developed in cooperation with all of the Services. The costs were divided into three elements, Fixed Costs, Variable Costs and Implementation Costs. Fixed Costs are the one-time costs, sunk costs, and non-recurring costs. Variable Costs are the direct annual O&S costs which increase or decrease in proportion to the activity level. Implementation costs are those costs for equipping an existing unit to authorized equipment levels in order to achieve desired readiness and capability levels.

After initial development of the common costing methodology, the Active/Reserve Mix Committee solicited the assistance and cooperation of the Services at the Vice Chief of Staff level. In each and every instance, the cooperation sought was pledged or given. The Services were first asked to comment on our costing methodology. When their comments were received they were integrated, where possible, into the costing methodology. Then each of the Services were asked to cost a variety of units unique to their respective Service using the costing methodology. They were asked to detail the costs of comparably manned and equipped notional units of both Active and Reserve Components using variable costs. In addition, they were asked to compute costs attendant to flushing out, robusting, activating or converting units any of which result in additional costs called implementation costs. The final analysis of the results of the costing exercise is still incomplete. However, sufficient analysis has been done to conclude that it is feasible for all of the Services to determine the cost of their Active and Reserve Components by using a common costing methodology.

As a result, the Board will very probably recommend that OSD direct the Cost Analysis Improvement Group (CAIG) or some other such body to work together with the Services to further refine and institutionalize a standard cost methodology for making Force Mix decisions.

3. Force Structure Oversight Management

As previously stated, Force Mix decisions are made by different bodies. The Services have traditionally been in the forefront of the Force Mix decision arena. However, decisions are also made by the Defense Resources Board (DRB) and by the Congress. It became apparent from the Board study that there was little OSD or JCS involvement in decisions on Force Mix. It also became apparent that no single body or entity exists within OSD which has responsibility for oversight and review of the balance of the Total Force structure. Logic would dictate that some body or council should conduct a periodic review of the total force structure and within that examination evaluate the proper balance and mix of both Active and Reserve Forces to meet threats from both a peacetime and wartime perspective. This logic is not present in the existing structure.

Next, a search of existing agencies, councils and boards was made to determine whether a suitable group exists which contains a balance of both military and civilian membership. First, the Defense Resources Board was considered but found lacking because the membership was principally civilian and the responsibilities of that body involve the division and allocation of resources. The Defense System Acquisition Review Council (DSARC) was considered. Here again, the membership was found to be principally civilian and was designed to guide and oversee the weapons acquisition process. Finally, the Armed Forces Policy Council (AFPC) was considered and found to meet most of the requirements. The Armed Forces Policy Council is a statutory body chaired by the Secretary of Defense. The permanent membership consists of the Deputy Secretary of Defense; the Undersecretary of Defense for Policy; the Undersecretary of Defense for Research and Engineering; the Chairman, Joint Chiefs of Staff; the Service Secretaries; and the Service Chiefs. This council contains a good balance of both civilian and military membership at the highest level and meets frequently. The Armed Forces Policy Council could review the Total Force structure in a dispassionate manner without the pressures and emotional influence often attendant to resourcing decisions. In order to provide the Armed Forces Policy Council with the most informed opinion on the suitability of missions and mix involving the Reserve Components, the study recommended that the Assistant Secretary of Defense for Reserve Affairs be made a permanent advisor to the Council.

4. Current and Programmed Force Structure

The study reviewed by mission category the present mix between the Active and Reserve Components in each of the Services using comparative parameters to determine whether Active, Guard and Reserve Forces are utilized to optimize the Total Force Policy. The Reserve Component Forces represent a very significant portion of the total military stength of the United States. When comparing the structure in each of the Reserve Components measured at FY 1983 levels and at the programmed FY 1989 levels, only a small amount of growth was detected by the end of the Five-Year Defense Plan. However, not reflected in the charts is the declared intent by the Services to find new missions and innovative ways to utilize the Guard and Reserve in light of the proposed curtailment of Active Force end strength in future years.

5. Demographics

Demographers have been predicting and statisticians have confirmed based on Census data, that the male military age cohort will decline to a low point in the early 1990's and then increase to present levels by the year 2000 despite a general increase in the total U.S. population of some 41 million during the same time frame. The implications of this trend cast doubt on the ability of the population to support both Active and Reserve Force requirements. The consensus of the Board is that the population of the military age cohort will support both Active and Reserve manpower requirements during the period in question. It is expected, however, that there will be increased competition from the private sector for this cohort which will require innovative deliberation on recruiting and retention methods and the incentives necessary to achieve strength goals.

Conclusions and Recommendations

This, Mr. Chairman, brings me to the conclusions and recommendations resulting from the Board study. Nine conclusions and recommendations have resulted from the study and they are stated as follows:

1. Conclusion: At the present time, there is no structured Force Mix decision making process. Force Mix decisions and the assignment of missions and functional areas of responsibility within the Total Force have not been made through a corporate management process.

Recommendation: That OSD provide the policy guidance to insure a logically structured approach to be used in making Force Mix decisions.

2. Conclusion: There is currently no standard interservice costing methodology by which the Services can assess comparative and actual costs of their Active and Reserve Forces in an accurate manner. It has been determined that it is possible to develop a common costing

methodology to be used by all services to estimate costs of both their Active and Reserve forces while recognizing any service unique aspects.

Recommendation: That the system developed by the Reserve Forces Policy Board, in cooperation with the Services, be further refined by OSD and institutionalized as the costing methodology in making Force Mix decisions.

3. Conclusion: There is no single body, council, or committee responsible for the review and oversight of the Total Force structure.

Recommendation: That the Armed Forces Policy Council, which contains a balance of civilian and military members at the highest level, be responsible for the oversight and review of the Total Force structure. In recognition of the enhanced role of the Reserve Forces in the Total Force structure, it is further recommended that the Assistant Secretary of Defense for Reserve Affairs, be made a permanent advisor to the Armed Forces Policy Council, and in consultation with the Reserve Chiefs, to provide input on Force Mix issues.

4. Conclusion: The weapons acquisition process as presently configured includes no formal consideration of Reserve force capability and requirement. In recognition of the increased role of the Reserve forces in the Total Force, representation must exist in the acquisition process at the highest decision levels at both OSD and the Services.

Recommendation: That the Assistant Secretary of Defense for Reserve Affairs be given permanent membership on the Defense System Acquisition Review Council.

5. Conclusion: Traditionally there has been little Reserve force representation on the Defense Resources Board.

Recommendation: That the Assistant Secretary of Defense for Reserve Affairs be made a permanent member of the Defense Resources Board.

6. Conclusion: When 100% of any mission is assigned to a Reserve component, Active planners, programmers, operators and logisticians have a natural tendency to assign a lesser priority in the weapon system/mission that is exclusive to the Reserve and no longer in the Active component.

Recommendation: That, with rare exceptions, no mission should reside solely in the Reserve Forces.

7. Conclusion: At the present time there is an imbalance in the Force Mix in some Services in the combat to logistic and support ratio.

Recommendation: That the Services review their Total Force composition and consider Force Mix changes that would provide the Active Force with an adequate response capability to meet contingencies without the necessity to recall the Guard and Reserve.

8. Conclusion: Reserve Forces have traditionally been resourced with older and in some cases obsolete equipment, or structured and not resourced with the proper equipment.

Recommendation: That existing Reserve Forces be resourced to required levels or "robusted" with additional equipment, supplies, and personnel to allow them to achieve an operational readiness level consistent with their Total Force mission. That a major planning, programming and budgeting effort be undertaken by the Services, OSD and the Congress towards Reserve component equipment modification and modernization before the trend toward "block obsolescence" of some weapons systems and equipment becomes a reality. In addition, all new missions assigned to the Reserve Forces should be resourced to required levels at the time of assignment.

9. Conclusion: The general consensus of demographic studies is that the population of the military age cohort will support Active and Reserve manpower requirements through the year 2000. However, the anticipated increase in competition for manpower will require innovative recruiting and retention methods, incentives, and Force Mix decisions to meet strength goals.

Recommendation: That the Reserve components take advantage of centers of population which provide a high density of specialty skills in such areas as medical services, electronics, communications, engineering, etc.

Other Areas Studied

In addition to the subject areas already mentioned, the Board study looked at other areas such as the Weapons acquisition process, retirement accrual, and the Reserve Component management structure. Some of these subjects are addressed briefly in the study; others were not considered due to the constraints of time and research staff available. Those areas deemed important are recommended as candidate subjects for future study.

Conclusion

In my testimony before this committee, Mr. Chairman, I have addressed the effort of the Reserve Forces Policy Board's study on Force Mix. We have not attempted to make judgments on whether a particular mission should reside in the Active or Reserve Components or what percentage in each because we believe that the Services are best qualified to make such judgments. We have concentrated our efforts on the macro side of the picture looking at the Force Mix decision making process, and formulating a structured decision making logic; developing a costing methodology which could be common to all Services while still recognizing those unique Service costs; and designating a balanced high level body to provide oversight and review of the Total Force Structure. In this effort, I sincerely hope that our effort will be helpful to this Committee, to the Secretary of Defense and to the Services. The Board is anxious to serve and to support any effort which will enhance the readiness and capability of the Guard and Reserve and, moreover, contribute to a stronger Total Force.

I look forward to the continued close working relationship with you, Mr. Chairman, and with the Subcommittee Staff. Thank you for this opportunity to speak before you. I will be pleased to answer your questions.

Senator JEPSEN. Mr. Conti, I thank you for providing an interesting evaluation of the studies being conducted by the Department of Defense on the Reserve/Active mix. Those evaluations will be helpful to the subcommittee.

I have one question to ask you.

MOST SIGNIFICANT PROBLEM CONFRONTING RESERVE COMPONENTS

In your opinion as Chairman of the Reserve Forces Policy Board, what is the most significant problem confronting the Reserve components today?

Mr. CONTI. I still think the resourcing of our Reserve components in conjunction with their mission, that is, first called, first to go. I think we could be better equipped. I still think that this is our biggest problem in the Reserve forces.

Senator JEPSEN. I believe Dr. Philbin is reinforcing that. You are saying that is the most significant problem?

Mr. CONTI. Yes, sir.

Senator JEPSEN. Senator Exon?

IMPROVING BENEFITS FOR GUARD AND RESERVE

Senator EXON. Gentlemen, we have been trying to consider improving benefits for the Reserves and the Guard. We have had a trial program for the use of commissaries by the Guard and the reservists.

What feedback can you give us on how important a fringe benefit that is for the people in the Guard and the Reserve? Are they mildly interested in it, slightly interested or not interested at all?

How much do you think that would help recruitment and retention?

Mr. CONTI. Sir, I would like to give you my own personal opinion. I am away from my contacts, having retired from the military side of it as a reservist.

I know that has always been a great issue with the reservists. It is part of making you feel you belong. Some people think it is maybe cosmetic, but I know it is a subject that when I was active in the Marine Corps Reserve, it always used to come up.

It was something like almost a burr under the saddle.

General Teater is an active reservist. If I may, I will ask him for his opinion because he is in contact with those reservists.

Senator EXON. General Teater, I will be interested in your comment also.

General TEATER. Thank you very much.

The use of the commissary and other benefits, obviously, is very important to the Reserve component. I feel if you give us modern equipment, give us some mission, we will fill the part as a total force.

As Mr. Conti pointed out, anything that is given to the active forces that is not also a benefit available to the Reserve forces causes us to feel just a little bit different. I think that is a critical issue.

AVAILABILITY OF COMMISSARIES

Senator EXON. You are familiar with the 15-day proposition. I suppose that is better than nothing, but do they look at that as a small pittance and not very significant?

General TEATER. I think generally that is correct, sir.

We have a problem, too, with the availability of commissaries. They are not always available where the dependents are. This becomes a logistical problem.

Senator EXON. That is one we are not going to be able to solve because we are not going to be opening up more commissaries, as you know, General.

I really appreciate your input because that is one of the things we are looking at. Generally speaking, this subcommittee has been very receptive to ideas and suggestions by the Guard and Reserves as to what we can do to help you further in the important role that your people will have to play in the future.

No further questions, Mr. Chairman.

Senator JEPSEN. Senator Kennedy?

Senator KENNEDY. Thank you very much, Mr. Chairman.

I was wondering if, Mr. Conti, you have had an opportunity to see the story that was printed in the New York Times on March 13 that the roster for the Army may be incorrect and GAO reports errors on lists used for callups in crises.

I guess their story indicates that as many as a fifth of the reservists would not be able to be called up because of the failure to have correct addresses and known numbers.

I wonder if you have had a chance to review that particular report and what comments you might make to the committee on it.

Mr. CONTI. No, sir, I have not. From my own experience, I suspect that what that story was directed to is the IRR, the ability to get names, addresses, and phone numbers of some of these people to verify them.

Again, I am going back a few years when I was active in the Marine Corps Reserve. We used to have these callups on Friday nights of the Selected Reserve. The turnout was in the 90-percent range.

I suspect what they were addressing their remarks to was the IRR and not the Selected Reserves, the people who would be called immediately are the Selected Reserves.

Senator KENNEDY. Do you have a system in the Selected Reserves for reviewing those phone numbers?

Mr. CONTI. Yes, sir. They drill each month and they are on 14 days active duty. So, they are in units. If they don't show up, they are absent. I don't think calling these people is any great problem in the Selected Reserves.

Senator KENNEDY. Perhaps you will have a chance to review this report and give us your comments for the record.

Mr. CONTI. Yes, sir.

[The information follows:]

GAO REPORT ON RESERVE CALL-UP

Mr. CONTI. I would like to respond to Senator Kennedy's request for comment on the GAO Report cited in an article published in the New York Times on March 13 which stated that as many as a fifth of the reservists would not be able to be called up in a crisis because of incorrect addresses and telephone numbers.

The GAO Report dated February 27, 1984, entitled "Problems in Alerting and Preparing Army Reservists for Mobilization" addressed in part the adequacy of the alert roster system to notify guardsmen and reservists in the event of mobilization and, in particular, those units and personnel scheduled to mobilize within 72 hours.

The GAO objective was to determine whether the Army's alert roster is adequate for notifying Reservists upon mobilization. A random sampling test was conducted using 10 of 140 units scheduled for early deployment whose structured strength was some 2,035 of 24,000 personnel. Within the 10 unit alert rosters exercised, a random sampling of 25 unit members in each unit were contacted in the test to verify accuracy of names, telephone numbers and addresses contained on the roster. Five of the units tested were in the Army National Guard and five in the Army Reserve spread geographically over the whole continental United States.

The study revealed that some 22 percent of Army Guard and Reserve personnel with early mobilization schedules may not be notified and assembled promptly. This is not a new issue for the Army National Guard and Reserve as it has been cited on previous occasions by the Army Audit Agency and others. The Army is aware of the problem and is currently working to resolve the issue at the highest levels.

Contraindicating information taken from real life emergencies in the National Guard, however, may tend to dispute the applicability of this study. The Guard in its State mission is frequently required to respond to emergency call-ups. During the calendar year 1983, the National Guard was called upon to respond to emergency call-ups on some 516 occasions—for Civil Disturbances (10 times), for Natural Disasters (91 times) and for Other Emergencies (415 times). In each instance, they responded to the emergency call-up, which more effectively tested their alert rosters than any statistical sampling ever could.

On 9–26 August 1983, the Arizona National Guard was called to assist during a union strike in which 310 troops were called and 310 responded. On 16–17 June 1983, the New Hampshire National Guard was called to assist during a State employee "sick out" for which 388 troops were called and 351 responded. On 6–14 April 1983, the Louisiana National Guard was called to assist during a statewide flood for which 362 troops were called and 333 responded. Even more recently, in March 1984, responding to tornado emergencies in North and South Carolina, some 820 National Guard members were called and reported for duty within four hours with minimum response of 97%.

The aforementioned examples of the National Guard response to real life State emergencies, while not answering a mobilization call-up, tests the capability to respond quickly to alert call-ups and the rate of response was never less than 90.46%.

The other Reserve components also have alert call-up procedures which they exercise on a regular basis with very high rates of success.

The Naval Reserve conducts alert call-up rosters at the unit level with great frequency, at the Readiness Command level and from the CNAVRES level in their Mobilization Reserve Evaluation (MOREVAL) which is a no-notice exercise of the ability of the Naval Reserve to respond to a mobilization recall. The response to these alert call-up exercises is in the mid 90% range.

The Marine Corps Reserve likewise conduct their alert call-up rosters at the unit level frequently, during mobilization exercises and from Headquarters level on a no-notice basis in what is called Mobilization Operations Readiness Deployment Test (MORDT). The response level always exceeds 90%.

The Air Reserve Forces are very cognizant of the necessity for quick response to emergency call-up. This is tested in Operation REDOUBT. The most recent test resulted in a 91% response. The last three major exercises tested provided a response rate exceeding 90%.

Thus, while it is acknowledged that the Army National Guard and Army Reserve need to place more emphasis on maintaining accurate alert rosters, all Reserve Forces must work constantly to insure that their unit alert rosters are current. I have a high level of confidence in the capability and willingness of all Reserve Components to respond quickly to a mobilization call-up to at least the 90% level.

Senator KENNEDY. It said that if the Army had to call up members of the National Guard and Reserve in a crisis, it might be unable to reach one-fifth of these on the list according to the recent report of the GAO.

It continues that the Army has wrong addresses and telephone numbers of many of those on the roster.

Senator JEPSEN. I would like to hear more about that also. I think General Berkman is knowledgeable about that.

Senator KENNEDY. That is fine.

General TEATER. Sir, if I might add, as a field commander in Ohio, I know that would not be true in our State for the members of the Selected Reserve. We have alert rosters that are updated continuously. We exercise those alert rosters by making the calls.

Our figures in Ohio would not even come close to that. We know where our people are and we know they are available.

Senator KENNEDY. They indicate the locations. They had five National Guard units in Milwaukee; Watertown, S. Dak.; Hamburg, Pa.; Marian, Fla.; Atterberry, Ind. They had the five Reserve units in San Francisco; Junction City, Wis.; Green Bay, Wis.; Boise City, La.; and Jacksonville, Fla.

If we could, Mr. Chairman, have the appropriate personnel respond to this, I would be interested.

DEFENSE PROPOSAL IMPACT ON RESERVES

Senator KENNEDY. I don't know if you have had an opportunity to see the new defense proposal before the Congress that has been worked out by the administration in the past several days which is going to be proposed by the chairman of the committee, Mr. Tower.

In that proposal there are no reductions in strategic forces, such as the MX or the B-1. I am just wondering what that request might mean in terms of the numbers of Active troops and new Reserves and whether it will be increasing or decreasing our proposed end strength.

Have you had an opportunity to review what impact the new administration's request will have on the Reserve Force?

Mr. CONTI. No, sir. Dr. Korb mentioned in his testimony preceding ours——

Senator KENNEDY [continuing]. And also in regard to equipment.

Mr. CONTI. He was saying on the Active side that that ended in the next 5 years to plateau out and Reserves would increase.

What we are looking at in the force mix is transfer of the missions and roles. That is what the thrust of our study has been without any recommendations as to how that should go because you are looking at equipment, you are looking at people, you are looking at the mission which the services, I think, are best prepared to do.

Senator **Kennedy**. I think that is extremely important. My time has expired.

I would be interested in the impact on the modernization of these units in terms of equipment which is identified here and the numbers of personnel, what these reduced requests are going to mean with regard to the Reserve and National Guard units.

I think it is very, very important for us to have that. I am a strong supporter of ensuring that they are going to have the kinds of equipment and support which are necessary for them to carry forward their responsibilities.

I think it would be counterproductive at this time when there has been some movement and some progress made with regard to the Reserves and National Guard which I think have been ignored for too long.

We should find out what impact these reductions are going to have on those units. I think it would be enormously helpful to us to have that kind of information prior to the time that we are going into markup on allocations of resources for particular weapon systems.

We recognize that the whole issue of manpower is the key element of our security force.

Perhaps, Mr. Chairman, we could get at least some kind of analysis. I will be glad to work with you in trying to specify more precisely what the questions ought to be for the members of this panel or for others.

I should like to have that information made a part of the record. I will work with this panel or with others to try to see if we can't get a response. It would be helpful to the committee in its deliberations.

I want to thank the witnesses and I thank the Chair.

Senator **Exon**. Mr. Chairman, since I did not take my full time, there is one question I would like to ask in this general area.

IMPROVED ROLE FOR GUARD AND RESERVES

Gentlemen, as a former Governor and a strong supporter of the Guard and, of course, the Reserve organizations, I have often felt that we just haven't used that structure out there for roles and missions and everything else.

So, I am delighted that we are putting more force and emphasis on that. However, as pleased as the Guard and the Reserve must be with the new initiatives announced by the administration, we must be careful, when we talk about roles and missions, that we all keep the central issue in mind, and that is the overall readiness of our forces.

One of the concerns that I have with the announcement out of the Rose Garden last Thursday was that that sends a very clear signal that those of us who have been fighting hard for readiness, enough ammunition and everything that goes with it, probably have a new scrap on our hands because I suggest that the intent of the administration is very likely to be to plunge full scale ahead with the development of every new weapon system that comes down the pike.

When the financial squeeze comes on, it is going to be squeezed where it has traditionally been squeezed and that is in readiness.

I happen to be one that feels that we are far more likely to be tested by the Soviets in the immediate years ahead in the conventional area than anywhere else.

So, let us not allow a panacea to set in that all of the shortages that we might otherwise have in manpower and woman power in the Active Forces are somehow going to be sopped up without some reduction in readiness by the Guard and Reserve.

Roles and missions are important. Balance is important. I guess I am just sending up the signal flag that maybe this new initiative to thrust more of this on the Reserve and the Guard is an effort to allow the continued purchase of all of the exotic new systems with a further decrease in readiness, which I think might not be in the interest of our national security.

If you want to comment on it, I will be happy to have you comment. I just wanted to make a statement.

Mr. **Conti**. The only comment I could say to that, Senator, is that in our report in the decision process table that we have submitted we basically are saying what you are saying.

Before you assign a mission to the Reserves there are certain criteria that should be investigated and met and those are the missions involved, the operational readiness level and the cost analysis, and there are a lot of ramifications to those things.

So, we are suggesting what you are saying, that we don't make a mistake by pushing it into the Reserves and taking it out of the Active. It is going to take a lot of looking at because we could make a very serious mistake.

So, I am concurring in what you are saying.

Senator **Jepsen**. Do you have anything to add, General Teater?

General **Teater**. No, sir.

Senator **Exon**. Thank you, Mr. Chairman.

Senator **Jepsen**. Thank you, Senator, and thank you, Mr. Conti and General Teater.

We will now call to the witness table Lt. Gen. Emmett H. Walker, Chief of the National Guard Bureau, who will offer a statement for the record; Maj. Gen. Herbert Temple, Director of the Army National Guard; Maj. Gen. William R. Berkman, Chief of the Army Reserve; Rear Adm. Cecil Kempf, Director of the Naval Reserve; Maj. Gen. Sloan R. Gill will be represented by Brig. Gen. Roger P. Scheer, Chief, Air Force Reserve; Maj. Gen. John Conaway, Director of the Air National Guard; Maj. Gen. Steven G. Olmstead, Deputy Chief of Staff for Reserve Affairs of the Marine Corps; and Rear Adm. James C. Irwin, formerly of Iowa, Chief of the Office of the Coast Guard Reserve.

I had to throw that in.

Senator **Exon**. I object.

Senator **Jepsen**. We will leave that in the record anyway.

Now you may proceed in any order you so desire.

I recognize Lieutenant General Walker to lead off.

Any written statements you have will be entered in the record as if read.

I would recommend that you summarize your statements in at least no more than a couple of minutes.

You may proceed.

STATEMENT OF LT. GEN. EMMETT H. WALKER, JR., U.S. ARMY, CHIEF OF THE NATIONAL GUARD BUREAU

General **Walker**. Thank you, Mr. Chairman.

I appreciate the opportunity to appear this morning.

I might explain that General Temple, Director of the Army National Guard, would have been here, but he is sick this morning. So I will represent the Army National Guard in place of General Temple. General Conaway, who is the Director of the Air National Guard, is here to represent the Air National Guard.

Mr. Chairman, I have a brief statement. I am not going to summarize what I have given you. I just want to add some additional comments.

That is, Mr. Chairman, that the more than a half million young men and women of the Army and Air National Guard I feel today have proven themselves equal to the challenge of full partners in the total force.

As you know, each day the defense demands of the Reserve components increase and certainly this to me places a much greater reliance on us in the National Guard and what we must accomplish.

You know today that the Army National Guard represents 46 percent of the combat power of the total Army and 37 percent of the Army support troops, Air National Guard represents 66 percent of the total air defense capability of the Air Force, over 50 percent of the tactical reconnaissance forces of the Air Force and 70 percent of the combat communications units of the Air Force. Every day we are considered for new missions.

I am afraid, Mr. Chairman, that sometimes we tend to forget or ignore or simply do not understand what the Guard's young men and women mean to this Nation's defense and what they can accomplish.

This year we have seen successes that certainly, as an old-time guardsman, I have never visualized we could accomplish. These successes certainly give me confidence when I say that the Guard, in my judgment, can accomplish any mission for which we are properly resourced.

For example, this year the Army National Guard for the first time had 26 nuclear capable artillery units tested. These units were all tested by the Active Army. The standard they must pass is 80 percent. They all averaged out 96.5 percent in this test they were given.

Forty-six percent of them fired 100 percent of the missions to standard. That to me was a real accomplishment. That is the first year we have been through this. I am proud of these guardsmen, they are professionals.

Mr. Chairman, we have submitted a budget that I feel is the minimum essential to continue this great progress. I am happy to report to members of the committee that, in my judgment the Guard is in the best shape it has ever been in its 347-year history.

I assure you we will continue to give you our best and that best is what this Nation deserves. I will be happy to address any questions you may have.

Thank you.

[The prepared statement of General Walker follows:]

PREPARED STATEMENT OF LT. GEN. EMMETT H. WALKER, JR., CHIEF, NATIONAL GUARD BUREAU, DEPARTMENT OF THE ARMY AND THE AIR FORCE

INTRODUCTION

The Guard is unique from all other services in that it has two missions -- Federal and State.

The Federal mission is to develop and maintain combat readiness -- to, if called, become one with our active counterparts, cohesive fighting units, capable of winning any conflict and bringing it to an end on terms acceptable to the United States.

Army and Air National Guard contributions to the Total Force include 46% of the Army's combat units and 37% of its support forces as well as 66% of the Air Force Air Defense forces and 75% of its combat communications and air traffic services. Based on our manning levels, percentage of equipment fill and active Army and Air Force evaluations of the training we conduct, I can say to you that the National Guard today is more combat ready than at any other time in our 347 year history.

Our current readiness posture is the result of the professional and diligent efforts of many people -- elected officials at national, state and local levels, the Congress, the Departments of Defense, Army, Air Force and the more than one-half million Guard members nationwide. Maintaining and/or increasing the readiness of the Guard requires continuing careful attention to five areas I consider to be vitally important to our ability to perform our critical National defense missions: manning, training, equipping, readying of the Guard and the management of change.

As we move further into the decade of the 80s, the management of change promises to present our greatest challenge. Increasing missions, equipment modernization, the decreasing recruiting pool and increased training requirements will have a profound effect on the way we conduct business. The specifics of each of these areas are addressed in detail in the text.

The past year has seen and the future holds promise for increased involvement with the Drug Enforcement Administration, Selective Service Administration, Federal Emergency Management Agency and the Immigration and Naturalization Service. We are proud of our record of support to these agencies and will continue to support them to the best of our ability.

More than 10,600 Guard personnel, requiring 60,300 mandays answered calls from their respective Governors 511 times in 48 states during 1983. These Army and Air Guard members responded to earthquakes, hurricanes, public demonstrations, strikes, drug control operations, forest fires, floods, snowstorms and a multitude of other disaster and emergency relief requests.

The Guard is called in these situations because they are a trained and disciplined force capable of responding to a wide range of contingencies. The Several States fund such call ups and derive the benefits of the services provided. The Guard, too, benefits. State missions provide our people experience frequently unattainable during drill periods or annual training.

The National Guard is willing and able to meet the many challenges of timely and effective response to emergency situations and stands ready to do so wherever and whenever needed. We view this as an obligation and opportunity -- an obligation to provide the American taxpayers a return on their investment in the Total Force and an opportunity to contribute our skills and resources to the communities and nation we serve.

ORGANIZING THE GUARD

ARMY NATIONAL GUARD

The Department of Army is responsible for organizing and structuring the Total Army to meet wartime requirements. The National Guard Bureau in coordination with the State Adjutants General participates with the Department of the Army in determining units to be organized in the ARNG force structure.

Significant force structure actions in the ARNG since 1981 include the activation of an additional armor brigade from existing force structure, addition of two divisional nuclear, biological and chemical defense (NBC) companies, activations of a divisional combat support aviation company, and air traffic control headquarters, a medical battalion headquarters, an ammunition battalion headquarters with three conventional ammunition companies, an infantry battalion (Mountain) headquarters, a mountain school, reorganization of state ARNG headquarters to State Area Commands (STARC), reorganization of aerial intelligence surveillance units to an Electronic Warfare Intelligence Aerial Exploitation Battalion(-) and the establishment of the ARNG's first units in Guam, a military police company and two engineer detachments.

FY84 force structure actions include the activation of the 35th Infantry Division (Mechanized) headquarters located at Ft. Leavenworth, Kansas. The core of the division will be formed from three existing separate combat brigades from the states of Kansas, Nebraska, and Kentucky. The additional structure will come from the conversion of some existing non-divisional structure and new activations in Kansas, Colorado, Nebraska, Kentucky and Missouri. Activation of the Total Army's only ROLAND battalion in the New Mexico ARNG marks the first time that the Guard has received a weapon system not previously fielded by the Active Army. A divisional roundout brigade and an additional roundout battalion were added in FY 84 increasing the total furnished by the ARNG to five and seven respectively.

The increase in ARNG force structure planned for FY85 is considerable when compared to previous years. Force structure changes include transfers of Active Component units to the ARNG, activations of new units, and conversions of existing units. Examples of the types of units being transferred and/or activated include engineer, artillery, transportation, forward support, and field service units. A divisional support command headquarters for the 35th Division will be activated. Detailed planning was begun in FY83 for the reorganization of nine state owned/operated training sites which are also mobilization stations. The purpose of the reorganization was to provide continuity in the transition from peacetime to mobilization for those mobilization stations. The Installation Support Units (ISU), as the sites are called, will perform a training mission and a mobilization and deployment planning mission in peacetime. The ISU will operate the mobilization stations upon mobilization. The ISUs are programmed to be resourced over several fiscal years beginning in FY85.

Future plans include an even greater role for the ARNG as a partner in the defense of this country.

AIR NATIONAL GUARD

Air National Guard flying units are organized into 24 wings, 67 groups and 91 flying squadrons. The continued strong support of the active Air Force is permitting us to replace older, less capable aircraft with more modern and sophisticated weapons systems.

As a result of these modernization efforts, Air National Guard flying units continue to make a substantial contribution to the Total Air Force combat capability and will fulfill a large portion of force commitment during any future, serious crisis. In FY85 the Air National Guard will possess 68 percent of the Total Air Force Air Defense Interceptor forces; 51 percent of Tactical Reconnaissance forces; 33 percent of Tactical Airlift forces; 25 percent of Tactical Fighter forces; 16 percent of Aerial Refueling forces; 14 percent of the Rescue and Recovery forces; 15 percent of Electronic Combat forces; and 28 percent of Tactical Air Support forces. In addition, 15 Air Guard flying units are tasked in Central Command's (CENTCOM) plans, formerly the Rapid Deployment Joint Task Force.

The continuing emphasis on modernization and readiness has resulted in adjustment of the organization precedence ratings for all Air National Guard units to equal levels with comparable Air Force units. This is in consonance with Department of Defense policies and places the Air National Guard on an equal footing in the DOD Logistics System with its active counterparts.

Equally important to the success of the Air National Guard mission are our mission support units. There are over 248 independent units heavily concentrated in the areas of fixed communications, combat communications, weather, tactical control, engineering installation, civil engineering, medical and air base defense.

Eighty-one base communications flights provide fixed communications support to our flying units, operating and maintaining the base fixed and tactical telephone systems, base communications centers, ground-to-air radios, intrabase radios, HF radios and base cable plants. Many of these flights also have separate deployable elements which support SAC, MAC and TAC at alternate recovery bases in the CONUS and at collocated operating bases (COBs) in Europe. Eight additional flights are to be activated in FY84 in support of ADTAC gained Air Guard flying units.

Our 51 combat communications units are equipped and staffed to support the Tactical Air Forces. They provide specific communications service to forward deployed commanders and provide restoral service to the Defense Communications System. They are also equipped to provide terminal air traffic control facilities and services. As of the end of FY83, 15 combat communications units are tasked in CENTCOM plans to support the RDJTF.

The Air Guard has 39 weather flights and one weather squadron, most of which provide weather support to Army Guard and Reserve units. We do have one weather flight tasked to support the Air Force Tactical Weather System. Weather units train with the Army units which they are tasked to support.

Our 28 tactical control units operate control and reporting centers and posts in addition to providing forward air control posts. All units have wartime taskings and quick response deployment schedules. Twenty-six of these units now possess the TPS-43E Radar. The two new air support radar teams added in FY82 became operational in FY83. Each unit is equipped with new TPB-1C tactical radar. The units are managed by three Group Headquarters.

We also have three aircraft control and warning (ACW) squadrons which provide 24-hour per day air surveillance radar coverage for Hawaii and Puerto Rico. In FY84, a fully automated Regional Operational Control Center will be operational in Hawaii and will be operated and maintained by Air Guard personnel.

Our 19 engineering installation squadrons (EIS) are equipped and trained to engineer, install, relocate, remove, restore and accomplish on-site depot level maintenance on radars, antennas, cable plants, radios, and teletype and communications centers. They maintain proficiency by augmenting the Active Air Force on communications-electronics-meteorological (CEM) facility requirements worldwide.

Our 8 civil engineering flights are equipped to undertake construction, alteration and repair projects to sharpen these skills for their wartime mission as well as completing urgently needed projects for those host bases (either active Air Force or National Guard). The recently established Prime Ribs (Readiness in Base Service) teams currently make up 28% of the total wartime tasked food service and base services personnel.

The Air Guard Medical Service supports our 91 flying units and readiness requirements of the Air Force Medical Service. Additionally, there are nine aeromedical evacuation units. The medical units consist of 26 to 50 personnel depending on the size of the flying unit supported. The aeromedical evacuation units are programmed to support the Military Airlift Command (MAC) during tactical aeromedical evacuation scenarios. There are seven flights consisting of 12 crews each and two squadrons consisting of 25 crews each.

We have formed two dedicated Air Base Defense Flights and one Squadron Headquarters. In FY85 we will have 1 squadron and 7 flights. They are the first of these units and the Air Force program calls for us to have 69 flights and squadron headquarters. These Air Base Defense flights will protect overseas essential wartime facilities from enemy ground attack.

MANNING THE GUARD

RECRUITING ADVERTISING

Our consolidated advertising program budget request for FY85 is $11.45 million. This is a very cost effective program .

The ARNG expends $80 per recruit and on the ANG side the cost per accession is $152.

The advertising program is so cost effective because our recruiters continue to benefit from local television and radio public service announcements as well as localization of NGB produced advertisements and media materials.

ARMY NATIONAL GUARD

The ARNG has continued to pursue its aggressive program for increasing strength, concurrent with the expansion of ARNG structure. Fiscal Year 1983 closed with an ARNG paid strength of 417,178, including 41,678 officers and 375,500 enlisted personnel. This represented the successful achievement of over 100 percent of ARNG programmed end strength, 97 percent of authorized strength and 92.5 percent of the wartime requirement. At the same time that these gains were being made, the overall quality of the force continued to improve. Test score category IV accessions decreased significantly from 11.8 percent in FY82 to 6 percent in FY83---well within the objective of 20 percent.

Support of our strength program remains key. Strength increases and quality gains are in large measure attributable to the efforts of the ARNG full-time recruiting force, programmed to number 2534 by FY85. The 103 additional recruiters will be employed to meet a tougher recruiting environment characterized by an improved economic climate and a decreased manpower pool of 18-21 year-olds (9.6 million in 1985 - down from 10.8 million in 1979). The Selective Reserve Incentive Program (SRIP), designed to support quality fill of critical skills and high priority units, will remain an essential ingredient for meeting strength objectives. It is absolutely essential that SRIP be continued beyond the expiration of current authorizing legislation at the end of FY85. The ARNG advertising program further enhances total strength in attracting and maintaining public interest and support. Retention of first term enlisted soldiers was 109 percent of objective for FY 83 and 101 percent for careerists. Within that success, however, as the force grew and the economy improved, ARNG losses prior to the completion of enlistment contracts (or non-ETS losses) have started to increase. During FY83, the non-ETS loss rate rose from 15.7 percent to 16.8 percent. The current force of 258 ARNG full-time retention Non-Commissioned Officers (NCOs) is working to improve retention by resolving conflicts with employers and family members; their major thrust, however, is to reinvolve unsatisfactory and absent members. The 99 additional retention NCOs being requested for FY 85 will reduce non-ETS losses to 15.6 percent. Though this reduction in the non-ETS rate appears to be small, it will result in approximately 3,400 current members being retained in the ARNG. This represents an excellent return on investment as 3,400 fewer accessions will be required, resulting in savings of nearly $10.0 million based on an average accession/training cost of $6,700. We expect to meet our retention objectives through the efforts of these retention NCOs and by continuing a strong strength management education and training effort to involve all leaders in the retention program.

The percentage of minorities in the U.S. population is approximately 16% with a minority population of 25.6% in the 17 to 34 age group. At the end of

FY83, minority strength in the ARNG was at 107,099, equating to 25.6% of total ARNG strength. Broken down, this figure includes 3,877 minority commissioned and warrant officers, and 103,222 enlisted members. The ARNG has experienced a .2% drop in minority representation since FY82, however the actual minority strength in numbers has risen by 1,491. The percentage drop is attributed to the increase in overall ARNG strength.

Officer programs have continued to contribute quantity and quality to the ARNG strength gains. Accessions have been steadily increasing and have now reached the programmed level, just under that authorized by the force structure. At the end of FY83, commissioned and warrant officer strength reached 41,678 or 99.7 percent of the budgeted program of 41,800, and 97.5 percent of the 42,759 authorized force structure. Although the recruiting and retention of medical specialties, particularly physicians, remains a concern, the fielding of the Army Medical Department full-time recruiting force resulted in a significant increase in accessions—120 in FY82 and 161 in FY83.

The flow of officers from the Reserve Officers Training Corps (ROTC) has increased from approximately 10 percent of ARNG officer accessions in 1979 to 34 percent in 1983. ROTC accessions are programmed to increase to 40 percent of total accessions by FY89. The State Officer Candidate Schools (OCS) remain the primary source of career officers and best meet the particular needs of geographically dispersed units.

With a good officer strength posture in FY84, the ARNG is focusing on improving the quality of its officer corps. Increased civilian education requirements for officers implemented in FY83 are expected to contribute significantly to this goal in FY84 and beyond. Minimum officer education requirements for OCS applicants will gradually be raised from the current requirement for a high school diploma to two years of college for the 1989-1990 State OCS class. All officers appointed in the ARNG after 30 September 1983 are required to have a baccalaureate degree to be considered for promotion to major. Additionally, all ARNG commissioned officers will be required to have a minimum of two years of college by 1 October 1989. Success of these educational initiatives is dependent upon ARNG efforts to provide tuition and other types of educational assistance to its members similar to that now available for Active Army members. The ARNG and the Army Reserve are seeking authority and funding to begin providing educational assistance to their members in FY85.

The ARNG Captains to Europe program, begun in 1980, has continued to provide an opportunity for ARNG captains to gain experience with the Active Army in Europe while on a 20-30 month tour of active duty. The program has expanded to include Panama and Korea and has provided training for over 117 captains in brigade and smaller units. The Active Component also benefits from this program—one young ARNG captain developed and implemented the M1 tank fielding program for US Army Europe while another developed the USAREUR adopted counter-terrorist program.

Another major element of manning is the full time support force. Traditionally, ARNG military technicians have been the primary source of full time support. For many years, they have provided the continuity for unit operations between monthly drill periods in the administrative, supply, maintenance, and training areas. Prior to the passage of the FY84 DOD Appropriations Act, ARNG military technician program growth had been negligible, increasing from 22,247 in FY81 to 22,742 in FY83. As a result of FY84 Congressional action, the ARNG military technician floor was raised from 22,557 in FY83 to 24,119 in FY84, an increase of 1562 technician positions.

Before FY81, the only ARNG members on active duty tours served in the area of recruiting ~~and~~ retention and in positions at the national level. Based upon the Defense Manpower Commission report of 1976 and Congressional actions in 1979, the ARNG began to add full time military personnel and convert military technician positions to full time military positions. These programs have evolved into today's Active Guard/Reserve (AGR) program. Personnel on full-time military duty in the AGR program generally come from the same source as ARNG technicians, i.e., members of the ARNG who are local residents and who have long term ties with the unit and the community. This is unique to the Guard as AGR personnel serve in a state control status until federalized.

The Full-Time Manning (FTM) program, which is part of the AGR program, has the following objectives: to provide additional military personnel to assist unit commanders in the transition to a wartime posture by improving training, administration, logistics, and maintenance; to improve readiness capability in early deploying units; and to assist in improving mobilization capabilities at the unit level. Through FY84, the FTM program has grown to a level of 6,253 ARNG AGR personnel and 839 Active Component personnel.

The FY 84 appropriation includes a total of 16,632 AGR personnel. The FY 85 budget request includes growth of 9,951 personnel in the AGR program to 26,583 and will improve our ability to achieve ARNG readiness objectives. Approximately 94 percent of the growth is in the FTM program (3,588) and in the Readiness Support program (5765). Six hundred of the AGR-FTM positions will replace Active Component FTM personnel as they are phased out of the FTM program and return to Active Component units. The balance of AGR-FTM growth (2988) will provide additional personnel for company-size units and intermediate staff and will be assigned based on deployment priority. The increase in the Readiness Support program provides for a wide variety of initiatives including programs to develop new organizational structures while modernizing forces, identifying and establishing aviation training sites, improving personnel support, and identifying the initial increment of full-time unit support considered necessary to adequately support the ARNG. This number is considered the minimum necessary to support the FY85 requested force of 447,283 soldiers and associated equipment that will equate to 57 percent of the Active Component strength and 39 percent of the Total Army Force inventory of artillery, combat vehicles, and other major items of equipment.

AIR NATIONAL GUARD

The Air Guard achieved a military end strength of 102,170 in FY83. This is the highest level ever achieved and the fifth consecutive fiscal year that programmed end strength levels have been exceeded.

The Air Guard's FY84 end strength program is 98,189 drill strength and 5,915 AGR (Active Guard/Reserve) for a total of 104,104 with an average strength of 103,400. In FY85, we have programmed 100,666 drill strength and

7,224 AGR for a total end strength of 107,890 and an average strength of 106,200. This strength level supports approximately 99 percent of the Air Guard's projected wartime requirements.

Although the Air Guard has consistently exceeded programmed strength levels, many critical skills remain below acceptable levels. At the end of FY 83, 52 percent of our vacancies were in hard-to-fill areas such as aircraft maintenance, munitions systems, aircraft armament, and security police. Additionally, the Air Guard has projected growth of over 14 percent through FY 89. Of this growth, 35 percent will be in such critical skills as aerial port, Red Horse (civil engineering), aeromedical, and air base defense. We expect to continue to meet our strength goals but anticipate a challenge as our strength levels increase and the recruitable age population decreases.

The Air Guard's recruiting program uses a precision recruiting approach, which keynotes recruiting for existing or projected critical skill vacancies. The overall responsibility for recruiting rests with the respective state or territory. The addition of a full-time retention force has paid off as losses again declined last year. We continue to focus on recruiting rated officers, medical officers, minorities and women. In fact, the percentage of women and minorities in the Air Guard increased again in FY 83 for the third consecutive year. The continuation of recruiting and retention as co-equal programs has aided the Air Guard in meeting its end strength objectives as well as furthering our progress in reducing critical skill vacancies.

At the end of FY83, minority strength was at 14,874, equating to 14.5%. This figure represents 898 minority officers and 13,976 minority enlisted members. While the ANG has experienced a .1% decrease in minority strength the aggregate has increased by 172. Like the Army, the decrease is attributed to the increase in overall ANG strength.

In FY 83, the Air Guard exceeded its combined military technician and full-time military active duty (Active Guard/Reserve) end strengths. We expect to fully meet our FY 84 end strength programs which are 1,238 higher than FY 83.

As a result of the Congressional floor on military technicians in the Reserve components, the number of military technicians will remain constant through FY 84 and FY 85. However, we have programmed 1,309 additional AGR positions in FY 85 to fill increased requirements associated with aircraft, equipment, and other support requirements of the Air Guard.

We will continue to evaluate our future manpower needs and anticipate that future budgets will contain a mix of technician/AGR growth based on cost effectiveness and combat readiness.

EQUIPPING AND SUSTAINING THE GUARD

ARMY NATIONAL GUARD

Lack of equipment on hand and maintainability problems associated with older equipment currently found in the ARNG inventory are the two primary reasons for readiness shortfalls. Equipment shortages are by no means unique to the ARNG--they exist throughout the Total Army. At the start of FY84, equipment needed by the ARNG to meet full wartime mobilization requirements was valued at $25.0 billion (includes procurement funded items only). To meet this wartime requirement, equipment valued at $13.1 billion was on hand in ARNG units leaving a shortfall of $11.9 billion. These figures are substantially larger than the $4.7 billion shortfall figure reported to Congress at the start of FY83, reflecting a more realistic picture and result from costing the inventory and shortfall based on modern equipment replacement costs and current dollar pricing. The $4.7 billion figure was based, for example, on the procurement cost for M48A5 tanks in units which had that model of tank and were short the number required by the unit TOE. That shortfall is now based upon the cost of filling the requirement with an M1 Abrams tank.

The Active Component is committed to providing modern equipment to ARNG units in support of both peacetime training and wartime requirements. Evidence of this commitment is reflected by the decision to provide modern equipment to ARNG roundout units concurrently with modernization of the parent Active Component unit. This has accelerated the modernization process in many ARNG roundout units. Examples of modern equipment issued are M1 Abrams and M60A3 tanks, Bradley Fighting Vehicles, and Improved TOW Vehicles. Receipt of this new equipment causes the displacement of equipment currently on hand to other lower priority units, either to fill unit shortages or provide a more modern set of equipment.

In FY83, equipment issued by the Active Component to the ARNG through normal supply channels in FY83 totaled $370 million, an increase of nearly $100 million over the FY82 level of $271 million. Projections by DA indicate that $611 million worth of equipment will be delivered to the ARNG in FY84. The Active Component is committed to procure nearly $1 billion worth of equipment for the ARNG as a result of FY84 appropriations. Significant deliveries of this equipment are scheduled to occur in the FY86-87 time frame.

It is imperative that we have weapons systems capable of defeating the high density armor of Soviet Pact forces. Modernization initiatives for the ARNG helicopter fleet since FY80 have resulted in the ARNG receiving by FY85 150 AH-1Ss against a total requirement of 409 AH-1S aircraft. Most ARNG aviation attack units are equipped with the UH-1M aircraft, a Vietnam vintage attack helicopter which has neither the armor defeating TOW system nor an all weather capability. Delivery of AH-1S aircraft has provided ARNG aviation with both capabilities.

Additional equipment has also been procured for ARNG units from Congressionally dedicated funding. The ARNG has received newer generation communications equipment, 5 ton cargo trucks, armored personnel carriers, tactical communications equipment, COBRA helicopters and C-12 aircraft. The ARNG will use the $100 million of dedicated procurement funds provided by Congress in FY84 for procurement of tactical communications equipment, fuel tankers, Commercial Utility Cargo Vehicles, night vision goggles, and Decentralized Automated Service Support System (DAS3) computers. This is in addition to $45.8 million for upgrade of AH-1G helicopters to AH-1S configuration (COBRA/TOW) and $10.5 million for 23 company sets of Multiple Integrated Laser Engagement Systems (MILES) provided within DA procurement appropriations and specifically designated for the ARNG. The delivery of this equipment has already improved, and, in the cases of equipment which has not yet been delivered, will improve the equipment on hand status of early deploying units and ensure compatibility with Active Component equipment.

As a result of an ARNG Communications-Electronics Equipment Study conducted in 1982, the problems identified in the areas of interoperability, compatibility, supportability, and deployability have been and are still being addressed at the DA level. Major concerns are with the first generation multichannel Frequency Division Multiplex equipment in all ARNG signal battalions and detachments. DA has directed assessments of the interoperability, supportability, and interface of the first generation multichannel equipment by all major commands.

With $70.6 million of the total of $150 million of Congressionally dedicated procurement funds provided by Congress in FY83 and FY84, the ARNG has been able to initiate procurement of equipment to improve division and corps level communications equipment. Examples of this equipment would be multichannel telephone terminals and radios for corps level units and improved high frequency radios for division level units. In addition, the ARNG is also procuring small unit transceivers and test equipment. This Congressionally dedicated funding is definitely enhancing the ARNG readiness capability.

The ARNG organizational clothing and equipment (OCE) program posture has improved but continues as a major problem area due to the increasing size of the force, new systems being introduced (e.g., body armor, Kevlar helmet, chemical protective overgarment), new requirements (e.g., troops in units located in warm climates being required to be outfitted for cold weather missions), increased emphasis (e.g., one training set of chemical defense equipment (CDE) in addition to one contingency set), the age of on hand OCE, and inflation.

Even with the increases provided by Congress in FY 82 and FY83, ARNG OCE shortages totaled $444.1 million at the end of FY83. Negative program growth of $64 million in FY84 in this critical area will cause the projected backlog to increase to over $508.2 million at the end of FY84. The FY85 budget of $126.5 million will not alleviate the shortfall significantly because, even with increased program growth over FY84 levels, replacement of demand supported items consumed during FY85 will exceed $100 million. Chemical Defense Equipment shortfalls impact on both training and mobilization readiness. Extensive shortages of OMNG funded medical equipment also inhibit the ARNG's ability to achieve readiness goals. Based on increasing OCE requirements, it is difficult to project significant reductions in backlogs in the near future. Priority of issue continues to be to early deploying units.

Expansion of commercial communications services for the ARNG will continue during FY 84 and 85 to support DoD requirements for Intrusion Detection Systems for facilities housing sensitive equipment and communications services required for added full time support personnel. Replacement of antiquated and inefficient telephone systems at State headquarters remains a high priority. Planning and programming to accomplish these actions did not include cost inflation resulting from the uncertain impact of telephone industry deregulation. The impact of this deregulation will be substantial and will require additional resources to support basic telephone service and commercial circuits. By January 1985, all states will have the capability to pass classified data through secure facilities and communications equipment. In conjunction with Forces Command (FORSCOM), planning continues to provide secure terminals at each State Area Command (STARC) by FY86 to provide access to the World Wide Military Command and Control System.

Materiel readiness reports at the end of FY83 revealed that the ARNG equipment readiness posture compared favorably with Army standards. However, some disturbing trends in non-mission capable rates for the ARNG have developed. A contributing factor to these trends is the $138 million shortfall in the FY84 funds needed to purchase repair parts. This shortfall will force a reduction in the stockage of authorized repair parts, resulting in a reduced capability to provide responsive repair parts support and decreased equipment operational readiness. Repair parts requirements are directly related to expanded equipment inventories, equipment age, and to equipment deterioration resulting from the increased use of ARNG equipment to support ARNG, USAR and Active training. The expanded use of ARNG equipment to support Active Component and Army Reserve year round training programs is also a contributing factor to the significantly increased ARNG maintenance support requirements. While most of the equipment in the ARNG is fully supportable and deployable, some of it is old and significantly less capable than equipment in the Active Army. For example, ARNG air defense units are equipped with the 30 year old M42A1 Self Propelled 40mm Gun (Duster), which has become progressively more difficult to maintain due to age, deterioration and the non-availability of repair parts, major components and ammunition.

The FY85 depot maintenance program provides $81.4 million to upgrade and improve aging ARNG equipment including modernization of the M109A3 155mm Self-Propelled Howitzer, conversion of gasoline powered M113 Armored Personnel Carriers to diesel engines and upgrade of the 5 ton wrecker fleet. A program initiated in FY83 to combat serious rust damage to ARNG vehicles will ultimately result in the rustproofing of all tactical wheeled vehicles in the ARNG inventory. The FY85 ARNG depot maintenance program provides funds to support a materiel readiness posture in the ARNG that will continue to compare favorably with established standards.

Upon mobilization, the four ARNG Aviation Classification Repair Activity Depots (AVCRAD) round out the Active Component's world-wide aviation depot maintenance capability, transferring the experience and expertise of ARNG aviation maintenance personnel to the sustainment of Total Army Force aviation immediately after mobilization. In their pre-mobilization status, these units provide aviation maintenance support up to and including limited depot maintenance for the 2500 aircraft in the ARNG inventory. One of the programs in this support mission is a closed loop, aircraft component direct exchange program. Serviceable components are stocked at the AVCRADs. Unserviceable components are sent from units to their supporting AVCRAD, which returns a replacement component to the unit. AVCRADs perform the required repairs on the unserviceable components and replace them in stock, ready for reissue. During FY83, 9,387 components were exchanged, which directly contributed to the ARNG aircraft operational readiness rate of 73%.

Personnel and administrative management information requirements to better manage the ARNG continue to expand. The existing automated ARNG Personnel Reporting System (PRS) can no longer keep up with these fast growing requirements. The ARNG Standard Installation/Division Personnel System (SIDPERS) is designed to fill this void and permit interface with Active Army and Army Reserve automated management information systems. SIDPERS will greatly broaden the management information available to support rapid mobilization, force structure objectives, maintenance of and projections for manning the ARNG, statistical input for logistical funding and readiness, and provide the operations and training information required to meet mission requirements. Implementation of ARNG-SIDPERS will provide the capability to immediately merge ARNG personnel records and data into the Total Army personnel management system upon mobilization. It also will enhance retention through provision of improvements in the military pay system for individual soldiers. The placement of SIDPERS personnel assets in the states to effect the quality assurance program (PRS), establish document audit trails, and train input originators and personnel managers has resulted in a more timely and accurate drill attendance reporting program. SIDPERS personnel will continue preparations for system implementation in Oct 84 while providing the management information required to support the Guard's role in our national defense.

Another sustaining effort is that of operating, maintaining, modernizing, or replacing facilities utilized by the ARNG. This involves a physical plant of 5,010 facilities consisting of 2,822 armories (1,504 of which are over 25 years old), 1,585 logistics facilities, 445 training sites, and 158 United States Property & Fiscal offices and warehouses. These facilities range in size from a 60-person armory in a small community to large training sites with acreage capable of supporting an entire division during a single training period. Under the provisions of the United States Code, facility support varies from 100 percent Federal funding of training sites to full state funding for operation and maintenance of state-owned armories. The Backlog of Maintenance and Repair (BMAR) will continue to increase, based on funds available for the Base Operations program during FY 84. However, the FY 85 budget request includes funds for BMAR reduction which, when coupled with the out years program, would meet the Congressionally mandated containment level of $15.2 million during FY 88. Continuing use of computerized systems is paying big dividends in upgrading the OMNG minor construction and maintenance and repair programs and making them more responsive to Federal and state requirements.

The backlog in construction requirements at the end of FY 83 is valued at $825 million which indicates a leveling off of identified construction backlog. However, this apparent leveling off is deceptive considering the increased aging of the existing physical plant, as noted by the increase in the number of armories over 25 years old and current emphasis to replace World War II temporary buildings still in use at annual training sites. One new initiative entitled Stable Annual Investment for Renewal of Systems (STAIRS) provides new perspectives in assessing priorities during budget cycles to achieve a 2 percent replacement rate for all categories of facilities. Emphasis is being given minor construction projects to upgrade and modernize training site facilities and ranges as one means to maximize limited training time available to ARNG troops. Range developments will be consistent with new weapons entering the ARNG inventory and the Army's combat training doctrine.

The FY 84 Military Construction, Army National Guard (MCNG) program provides for 53 new major construction projects. The minor construction program includes funds to initiate the local training site range modernization program. FY 85's military construction request of $89 million will provide for fifty major construction projects, with 8 additional construction projects released from the major construction program to be accomplished under the expanded authority permitted under Military Construction (MILCON) minor construction. Funds programmed for upgrading local training sites have been doubled from the prior year amount.

AIR NATIONAL GUARD

Modernization of ANG units has continued at a modest pace as evidenced in the FY 1985 Public Announcement of force changes. Our first F-16 unit is combat ready and we have announced the first F-15 conversion for the Air Guard in FY 1986. Future programs continue these modernization efforts. However, I must emphasize two considerations when you review our modernization efforts. Future conversions are programmed conversions which depend on programmed procurement rates. Modernization of the Air Force in general and the Air National Guard in particular depends heavily on your support of these procurement rates.

In FY 85, the ANG will continue its modernization efforts in most major mission areas. One Tactical Air Support unit will convert from O-2As to C-19s and assume a strategic airlift mission. This unit will also be the backup carrier for the Space Shuttle. One Tactical Fighter unit (F-4C) will expand from 18 to 24 primary aircraft authorized, and two F-4C/D training units will expand from 12 to 18 and 44 to 50 primary aircraft authorized respectively. In the Tactical Reconnaissance mission area, three RF-4C units will grow from 18 to 24 primary aircraft authorized. Finally, two Tactical Airlift units will change series from the C-130A/Ds to C-130Hs and one Air Refueling unit will change from KC-135As to KC-135Es.

By the end of FY 84, 12 of the 13 Air National Guard KC-135 units will be equipped with or in retrofit for the JT-3D engine. The JT-3D engine provides our KC-135s with increased thrust and offload capability, an increased combat capability, and a significant reduction in noise and emissions.

The Air National Guard request for the FY 1985 military construction program is $102.9 million. It includes $87 million for major construction, $7.9 million for minor construction and $8.0 million for planning and design. The program is composed of 67 projects at 48 locations in 34 states and provides direct support of weapons system conversions, facilities modernizations, and unit relocation.

TRAINING THE GUARD

ARMY NATIONAL GUARD

As a result of increased reliance on the ARNG as part of the Total Army, major emphasis continues to be placed on training to meet readiness goals, both for individuals and units. Much has been accomplished in improving the training readiness of the ARNG. Much remains to be done.

Increased emphasis has been focused on training in a field environment providing as close to combat conditions as possible and to the levels which combat will demand, i.e., train as we will fight. Our leaders must know how to orchestrate the battlefield to maximum advantage because we will be outnumbered both in personnel and weapons systems. We must be prepared to respond at any time because there will be little time for post-mobilization training.

An established goal of the ARNG is to increase the level of unit training. During FY83, 57 percent of all armor, infantry, armored cavalry, reconnaissance and TOW Light Anti-Tank (TLAT) battalions/squadrons trained at battalion level and above. All units must graduate to combined arms (task force and company/team level) training as this is the way these units will be required to fight. The ARNG has made progress in this vein with National Training Center (NTC) rotations for heavy roundout battalions, limited procurement of MILES equipment, and three week annual training periods for selected units. However, in order for us to improve combined arms training, which takes place primarily during annual training, we must improve our capability to conduct mission-oriented training during drill periods. Factors inhibiting that capability are support for local training areas and a shortage of travel funds to support movement of units to adequate training areas.

In FY83, ARNG units began training at the NTC when an armor battalion from the Georgia ARNG trained there with its aligned Active Component brigade. In FY84, a mechanized infantry battalion will train at the NTC, followed by five ARNG battalions in FY85. Heavy roundout battalions will continue to train there tri-annually. Scheduling of an ARNG brigade task force is being considered for the FY86-87 timeframe. Support of FORSCOM funding programs for ARNG participation at the NTC is, therefore, vital to the ARNG. Funding for an additional week of annual training and preparatory training for participating units is included in the FY85 ARNG budget request. Training for ARNG units at the NTC provides invaluable lessons learned and a unique opportunity to realistically execute missions for which they have trained.

A requirement for Reserve Component nuclear-capable artillery battalions to take a nuclear ARTEP (Army Training and Evaluation Program) and have a technical validation inspection administered was implemented in FY83. In order to successfully complete a qualification ARTEP, a unit must conduct a minimum of 80% of their delivery of fire tasks while maintaining a 70% or better operational readiness in personnel and equipment. Each nuclear capable unit must complete all nuclear level tasks. During the 50 continuous hours of field operations required, a unit must conduct a minimum of five tactical moves of at least 5 km each. Two of these moves must be conducted at night. Twenty-five ARNG battalions were evaluated and the results were impressive. With a standard of 80 percent, the ARNG artillery battalions averaged 95.6 percent. Two units had perfect scores and only two scored below 90 percent. The remainder of the ARNG nuclear-capable artillery battalions will be administered this evaluation, required every three years, during FY84 and FY85.

The AC/RC Partnership Program pairs major combat units of the ARNG with similar Active Component units for training support, evaluation, and assistance. This program was expanded to a $2.9 million program for FY85. A key result of this program has been support for the ARNG force modernization process.

The Army CAPSTONE program aligned Active Component and Reserve Component units based on wartime requirements and allows units to plan and train for their wartime mission during peacetime. Initially developed for European scenarios, CAPSTONE has subsequently been expanded to include the Pacific and the Rapid Deployment Force (RDF). Units will be provided planning and training priorities to allow commanders to focus their training on one contingency mission. The FY85 budget provides funding to support attendance by ARNG commanders at conferences with CAPSTONE aligned units to exchange information and refine operation plans.

ARNG participation in exercises and overseas deployment training serves as a prime means of accomplishing much needed combined arms training and exercising mobilization plans and provides units with training opportunities that are not normally available in the yearly training program. ARNG units are selected to participate based upon their contingency mission (CAPSTONE alignment). Greater emphasis is being placed upon ARNG unit participation to fully evaluate a given operation plan. During FY83, 185 units and unit cells participated in exercises to include deployment of a battalion task force with its equipment to Italy for Display Determination 83. In addition, the ARNG deployed a complete armor battalion to Europe which drew POMCUS equipment and participated in REFORGER 83. Plans have not yet been finalized regarding ARNG exercise participation in FY85, but more units and unit cells will likely be involved than in previous years. Two battalions, over 400 units and cells and more than 7,000 personnel will participate in ODT in FY84.

The Battalion Training Management System (BTMS) was established in 1981 to ensure that all organizational levels, from squad to battalion, are trained to effectively plan, conduct and manage new training to include the understanding and use of training support materials. The Army's training management doctrine has been incorporated into all levels of the ARNG school system. FORSCOM evaluation reports of Reserve Component units reported a positive correlation between BTMS and "overall AT performance" for company-sized units, underscoring the value of BTMS in developing junior leaders. Statistically, BTMS was the most significant factor influencing overall AT performance. Units which scored well in BTMS performed well overall.

The ARNG has initiated a program to improve the educational qualification of the AGR force and the M-Day force. All AGR officers and NCOs will be required to receive resident training at Active Component schools—trained to the very highest level possible. By receiving the very best training available, these ARNG trainers will be better able to assist unit commanders with training of the M-Day force and to make optimal use of the limited training time available. M-Day personnel are also encouraged to attend Active Component schools to improve their military skills when attendance at such schools can be worked out with employers. Side benefits of such training result in improved ability to perform in their civilian jobs as well.

NCO training in the ARNG today is designed to provide the knowledge and skills necessary to lead, fight, and survive on the modern battlefield. The key to battlefield mission success rests heavily on a well trained NCO force. In 1977, the ARNG instituted an NCO education system. In FY 80, a formalized training program approved by Training and Doctrine Command (TRADOC), the Reserve Component Noncommissioned Officer Education System (RCNCOES), was begun. Participation in RCNCOES programs has increased to the point that 30,000 students are expected to graduate in FY85 with $13.0 million budgeted for the program. Commanders and senior NCOs have stated that significant contributions have been made to the ARNG overall readiness posture as a result of RCNCOES programs.

The Key Personnel Upgrade Program (KPUP) budgeted for $13.3 million in FY85, further develops key personnel in ARNG units through direct association with their Active Component counterparts during tactical training exercises. Initially, participation in KPUP was restricted to personnel in selected units but in FY82, participation was opened to personnel from all ARNG units. This program has become vital to the training readiness of the ARNG.

Training ammunition authorizations in FY84 for the ARNG are 76 percent of requirements ($167 million), a 24 percent increase over the FY83 requirements level. Increases in training unique and pyrotechnic munitions will afford ARNG commanders opportunities to plan for and execute training programs so readiness may be improved. Training with MILES is now being supported at a limited level due to the constrained authorizations of blanks and simulators. Large caliber high cost munitions continue to be authorized at minimum levels which constrain or preclude reprogramming of training not accomplished to standards. This restricts a commander's capability to effect performance oriented training and BTMS techniques.

Indicative of the solid base and depth of the National Guard small arms training programs are the superb accomplishments of our competitive marksmen. Guardmembers won 8 out of 10 matches in the 1983 US Army Rifle, Pistol and Machinegun championships, the team title at the Interservice Pistol Championships, the National Trophy Pistol Team Championship at the National Pistol Championships, and the National Trophy Individual Rifle and the Prone Iron Sight Team championships at the National Rifle championships.

The availability and effective use of training devices continues to be extremely critical to the ARNG. With limited training time and limited access to optimal training sites, use of training devices and simulators is essential for the attainment and sustainment of individual/unit proficiency at the unit armory. As a result of emergent technology, future training devices may be utilized in lieu of high cost munitions. The initial cost of training devices will be high but long term benefits overall will far outweigh those initial outlays. Procurement of MILES equipment for the ARNG in FY84 will have a positive impact on training. However, limited resources exist to address ARNG requirements and shortfalls remain.

The modern weapons coming into the Army inventory are far superior in distance, accuracy, and destructive power compared to the weapons being replaced. Modernization of ARNG local training areas and ranges needs to be accelerated to keep pace with distribution of modern high technology weapons systems to the ARNG. Ranges need to be enlarged and designed for multiple purpose use to accommodate introduction of sophisticated training devices such as lasers, simulators and modern target systems. Additional resources are required to support improvements in training sites and ranges if ARNG units are to meet critical training requirements for pre-mobilization as well as post-mobilization.

Over 30 percent of the Total Army Force's combat aviation assets exist in the ARNG. ARNG aviators are required to meet the same minimum annual flying requirements and standards as their active counterparts. The challenge to ARNG aviation in the 1980s is to meet the individual and crew requirements identified by the Aircrew Training Program and also to train as an element of the combined arms team. To help alleviate this increased training workload and allow aviation units to concentrate on unit and combined arms training, an ARNG Aviation Training Site (AATS) Program was developed. The program was designed to complement current aviation training efforts. The Eastern AATS (EAATS), the first of two AATS, became fully operational during FY83. Its mission is to conduct ARNG individual aviation qualification training not provided by the US Army Aviation Center, but essential to the readiness of ARNG units. The EAATS program will provide post graduate flight training for over 500 aviators per year. The Western AATS is scheduled to be operational during FY87 with its primary mission of supplementing unit tactical training requirements with emphasis on aerial gunnery and attack team training.

The ARNG has experienced an increase in Undergraduate Pilot Training (UPT) quotas from 140 in FY82 to 224 in FY83. The ARNG utilized all UPT quotas during FY83. These quotas will increase during the 1980s and will eventually provide an output of 250 ARNG aviators per year by FY89. The ARNG has seen positive results over the past 2 years since imposing a restriction of 27 1/2 years of age to apply for Initial Entry Flight School. The tradeoff for our highly experienced force of aviators is its steadily increasing average age. The ARNG UPT program is solving the "Aging Aviator" problem and establishes a 20 year life-cycle aviator management program.

In support of vigorous training programs, the ARNG safety/accident prevention efforts are targeted toward the prevention of motor vehicle accidents and personal injuries. Special emphasis countermeasure programs during FY83 impacted on the reduction of both motor vehicle and training accidents. The FY83 overall accident rate was 1.76 accidents per 200,000 hours of personnel exposure, down from the FY82 rate of 4.2.

The ARNG aviation accident rate in FY83 was 2.00 accidents per 100,000 flying hours, an increase from the FY82 rate of 1.01 which is the lowest rate ever achieved in the ARNG. The FY83 rate compares favorably with a 2.50 aviation rate Army-wide. Aviation safety awareness through better communication with field organizations became a primary goal in FY83. An analysis of the accident experience indicates that human error ranks as the number one factor. To reduce the accident rate, formal safety training and education were emphasized. To fill an obvious void in the safety training system, the ARNG Aviation Mishap Prevention Orientation Course (AMPOC) was developed and taught twice during FY83. To complement increased awareness, the Regional Accident Prevention Survey Program (RAPS) was totally implemented in FY83. RAPS is a self-help type program to accomplish annual accident prevention surveys of all ARNG aviation facilities. All facilities successfully participated in RAPS during FY83.

The National Guard Professional Education Center (PEC) provides uniform, centralized training for full-time support personnel as it relates to ARNG programs and to increase the capability of those individuals to perform their jobs on a day-to-day basis. Among the training offered at PEC are courses for Unit Administrators, Administrative Officers, Operations and Training Readiness Specialists, and Training NCOs. These courses are taught with emphasis on ARNG unique operations, are unavailable anywhere else in the military training arena, provide specialized and very cost effective training, and increase mobilization readiness for the ARNG.

AIR NATIONAL GUARD

Our flying units make significant contributions to the Air Force as a by-product of realistic training. We participate as full partners with other components in overseas deployments, JCS and USAF training exercises, and Air Guard sponsored Composite Force Training exercises.

Our overseas deployments temporarily move entire flying units to theater locations along with ground support personnel, civil engineering, tactical control, and combat communication units. Such deployments furnish the Guard with realistic and valuable theater specific training.

The Air National Guard has tested several deployment concepts in order to validate wartime capabilities and maximize training per dollar spent. For example, we recognize air refueling assets will be extremely limited during wartime. Therefore, in FY 83, the Air National Guard successfully executed an island hopping deployment of 24 A-7s from Ohio to Europe, which eliminated the requirement for any air refueling.

By initiating a policy of joint deployments whenever possible, we save dollars and increase unit exposure to this valuable overseas training. On a joint deployment, two or more units deploy together and share support equipment, thereby minimizing airlift costs.

In the Southern Command region, the Air Guard maintains four A-7s on station at all times in defense of the Panama Canal, supported by ANG KC-135s. We also maintain two Aircraft Control and Warning Radars in defense of Puerto Rico, and we support airlift requirements throughout Central and South America with six C-130 aircraft.

The Air National Guard also supports the Army in exercises throughout the world. Joint training programs, such as the National Training Center at Fort Irwin, California, provide joint training experience for both the Army and the Air National Guard.

To further the ANG fighting capability and familiarize our Air Guard personnel with joint operations, Composite Force Training exercises are conducted throughout the year. These exercises are sponsored and planned by ANG flying units, ANG Permanent Field Training Facilities, and active Air Force units. These exercises encompass all mission areas of the Air Guard and are developed for the specific purpose of providing realistic training for all participants.

In the Pacific Theater, our F-4 aircraft and support personnel from Hawaii participated in Pacific Air Forces exercise Team Spirit 83 in Korea. In addition, Air Guard KC-135 units supported the Strategic Air Command Pacific Tanker Task Force in Guam and Cope Thunder in the Philippines.

In Alaska, our RF-4s have provided photo support for exercises. During the latter part of FY84, over 40 percent of the KC-135 assets to the Alaska Tanker Task Force will be provided by the Air Guard.

To further illustrate the Air National Guard's global readiness and the realistic training received, tactical fighters and reconnaissance units deployed to Germany, Turkey, England and Iceland during FY83. Air Guard

KC-135 tankers, participating in the European Tanker Task Force, supported European air refueling requirements.

Such a high degree of operational readiness demonstrates that the Air National Guard, when equipped with modern aircraft and equipment, is a full Total Force partner in the front-line of our defense forces.

Our mission support units have also made impressive strides in this area. In the past three years, our combat communications units have deployed approximately 1,400 personnel to Europe, Honduras, Egypt and Korea in support of major exercises.

Our Tactical Control Units train at their home stations by controlling Active and Air Guard fighter aircraft and by system-wide simulated exercises. As with combat communications, these units also play a major role in JCS exercises. Most noteworthy was the deployment of two flights of personnel to Italy and Denmark in support of a USAFE/NATO exercise. This was the second deployment of a CONUS-based Air Guard tactical control unit to Europe.

Two of our engineering/installation units deployed to Europe in June 1983 and performed successfully under simulated wartime conditions. An Air Guard unit also won the FY83 Air Force Communications Command "SHOOTOUT" competition. "SHOOTOUT" is a series of competitive taskings undertaken by Air Guard and Active Air Force units.

Our civil engineering units also participated in JCS European exercises and performed validation surveys of Air Force European and host nation base complexes. They identified assets, requirements and deficiencies for use by wartime planners.

READYING/MOBILIZING THE GUARD

ARMY NATIONAL GUARD

Since FY81, through the first quarter of FY84, ARNG reporting units have increased their combat readiness by 6 percent in training readiness, 2 percent in Military Occupational Specialty (MOS) qualification readiness, and 5 percent in personnel readiness, while equipment on hand readiness was decreasing by 5 percent. To reiterate the problem with regard to equipment, it is not unique to the ARNG but is a basic problem throughout the Total Army. In spite of the decrease in equipment on hand readiness, for the third consecutive year, the ARNG has maintained an overall combat readiness rate of over 60 percent for all its reporting units. As the Active Army organizes its forces to meet the many worldwide contingencies, the role of the ARNG has increased. More units are being assigned high priority missions and, in some cases, are assigned the requirement to respond to more than one contingency mission. To illustrate the increasingly important role the ARNG has assumed, since FY81, ARNG missions have changed as follows: Intensive Management Force (IMF) units increased from 497 to 1190; units assigned to the RDF have increased five times; Prepositioning of Materiel Configured to Unit Sets (POMCUS) units decreased from 21 to 12 although POMCUS Back-up Forces increased from 6 to 26; Quick Fix Force units increased from 105 to 152; and D to D+30 units increased from 119 to 210. As the review of Active Component missions which could be transferred to the ARNG continues and worldwide contingency needs increase, it can only be assumed that the ARNG's role in the assumption of high priority missions will expand.

The ARNG conducts mobilization exercises to evaluate the ability of units to meet their deployment objectives. Evaluations were conducted for 46 percent of the units selected for ODT in FY82. In FY84 the goal is 100 percent. That goal should be achievable and has been reestablished for FY85. IN FY82, a program was begun to evaluate all IMF units over a five year period and every three years thereafter. While several DA actions caused the IMF to expand, the program is on target. Approximately 250 exercises were conducted in FY83 with a budget of $9.0 million. In FY84 over 300 exercises will be conducted and over 350 exercises are planned for FY85 at a cost of $10.7 million. These exercises focus on the immediate post-moblization tasks to be accomplished by ARNG units and STARCs. IN FY85, 54 STARCs and over 80 percent of ARNG units will participate in a worldwide Joint Chiefs of Staff mobilization exercise. This exercise will provide the opportunity to examine further the mobilization preparedness of the ARNG and, more specifically, the effectiveness of the ARNG exercise program. Although the current program is considered a success, funding is available only for early deploying units. Resources are not provided for evaluating over 60 percent of the ARNG combat divisions, 50 percent of the separate brigades, and 100 percent of the armored cavalry regiments.

Several mobilization initiatives were begun by states during FY83 which have nationwide implications. One of these involved a mobilization exercise which included the rail movement of 145 M48A5 and M60 tanks. The exercise, which was planned and conducted by the Nebraska STARC, involved complex coordination between several government agencies including DOD, Military Traffic Management Command, and Anniston Army Depot. This unique approach provided vital training for ARNG members and staffs and resulted in a savings of approximately $400,000 over conventional methods.

AIR NATIONAL GUARD

I am proud to report to this committee that combat readiness and capability to perform the wartime mission of the Air National Guard was again successfully demonstrated in 1983 by Air National Guard units during Air Force Operational Readiness Inspections (ORIs). These inspections were conducted under realistic wartime scenarios with the majority of Air National Guard units receiving these inspections while at deployed locations. This deployed concept has continued to expand and now includes Air Guard combat communication units. Since the inception of the realistic training scenario in 1976, Air National Guard units have materially enhanced their capability and readiness.

SUMMARY

The Army and Air National Guard have proven themselves to be full partners in the Total Force. The National Guard exists to support National policy while providing to the states a militia uniquely qualified for local disaster and public safety missions.

There will be precious little time to train and equip our forces if called upon to defend our great nation. The Congress and the services have done much to assist in improving our readiness posture. Much still needs to be done.

We have proven that given the proper resourcing and training, the Guard can and will perform any mission it is assigned.

We appreciate the continuing strong support of the Congress, the employers and families of our personnel, and the services. With continued strong support we look forward to an ever more combat ready Army and Air National Guard.

Senator JEPSEN. General Berkman?

STATEMENT OF MAJ. GEN. WILLIAM R. BERKMAN, CHIEF, U.S. ARMY RESERVE

General BERKMAN. Thank you, Mr. Chairman and members of the committee.

I have a longer statement that I have submitted for the record. I have a few brief remarks to make.

I welcome this opportunity to discuss the Army Reserve. Your past and continuing support is important to the goal of a total Army of excellence of which the Army Reserve is an essential element.

Importance of Army Reserve as part of the total Army: Today's Army Reserve numbers more than 510,000 men and women. There are over 256,000 soldiers in troop program units. These units represent substantial portions of the Army's tactical support, general support forces, and nondivisional combat and special theater increments.

Approximately 8,000 reservists serve as individual mobilization augmentees assigned to Active units. There are also approximately 246,000 in the Individual Ready Reserve.

Capabilities: The Army Reserve capabilities equation consists of personnel, training and equipment.

Personnel: Army Reserve troop program unit strength has increased steadily since 1978. However, we are still approximately 12,000 personnel short of authorized peacetime strength and about 36,000 short of wartime requirements.

The fiscal year 1985 budget supports a strength increase of approximately 12,000 drilling reservists. Army Reserve non-prior-service enlistments in fiscal years 1983 and 1984 have been improving in quality. Eighty-three percent are high school diploma graduates and the percentage of the lowest acceptable mental category is much lower than in the past—about 11 percent.

The Selected Reserve incentive program, which includes educational assistance and cash bonus programs, is an important element in achieving quality non-prior-service enlistments.

During fiscal year 1983 those bonuses were responsible for providing support to over 15,000 soldiers to Army Reserve units. Indeed, the Army is considering expansion of these incentives to respond to further challenges in the recruiting market. Your support for these incentives is important.

The fiscal year 1985 budget will also increase by 5,500 the number of full-time reservists supporting troop program units in the Army Reserve. Historically, the Army Reserve has had the lowest percentage of full-time unit support personnel of all service Reserve components.

The percentage of full-time personnel projected for fiscal year 1985 is about 7 percent. Civilian military technicians are part of full-time unit support.

Training: CAPSTONE continues to have great potential for improving Army Reserve training. Reserve component units are aligned based on the Army's worldwide requirements. It permits units to focus training on wartime missions and planning.

A recent example is significant. It was pursuant to CAPSTONE association that over 30 Army Reserve members of civil affairs units in the Philadelphia area volunteered for service in the Grenada rescue operation.

Expanded Army Reserve participation in major training exercises and overseas deployment training will be supported by the budget request in fiscal year 1985.

Equipment: The Army Reserve has on hand (by dollar value) 63 percent of its authorized equipment and 50 percent of its wartime requirements.

It is estimated that the Army Reserve on-hand equipment is short about $3.2 billion compared to wartime equipment requirements or $2 billion compared to current peacetime authorizations.

It is important that Reserve units have on hand the quantity and type of equipment necessary for training. Beyond that the Army must have the ability to provide at mobilization the equipment necessary for Army Reserve units to meet deployment schedules and perform their wartime missions. Significant progress has and is being made in these areas.

Your past support for the Army Reserve is appreciated. Our fiscal year 1985 budget supports the Army's commitment to provide trained units and qualified persons available in time of war or national emergency as part of the total Army of excellence.

Mr. Chairman, that concludes my statement. I am now prepared to answer your questions.

[The prepared statement of General Berkman follows:]

PREPARED STATEMENT OF MAJ. GEN. WILLIAM R. BERKMAN, CHIEF, ARMY RESERVE, DEPARTMENT OF THE ARMY

Mr. Chairman, Members of the Committee, I welcome this opportunity to report on the status of the United States Army Reserve and its program for Fiscal Year 1985. Your past and continuing support are essential to the progress required by our Total Army.

Introduction

A Commitment to Excellence

A Total Army of excellence is the commitment made by the Secretary of the Army and the Chief of Staff in their statement "The Posture of the Army and the Department of Army Budget Estimates for Fiscal Year 1985." The Army Reserve is an essential element of the Total Army. The initiatives and programs described in the statement by the Secretary and the Chief of Staff places increasing reliance on the Army's Reserve Components. As that statement emphasizes, Army Reserve units no longer deploy or employ "after" Active Component units but "with" them and in many cases "before" some Active Component units. With the support of Congress and our country, the Army Reserve can achieve excellence as part of the total Army. Our nation deserves no less.

Grenada Rescue Operation

Last year the President observed that Reservists must be ready to respond to our nation's need. The recent Grenada rescue operation demonstrated that responsiveness when over 30 members of Army Reserve civil affairs units and one member of the Individual Ready Reserve volunteered for active duty when their expertise was required. They assisted the combat commander in carrying out his legal and humanitarian responsibilities to the civilian population. They assisted in such civil affairs operations as restoration of public facilities, refugee resettlement, public health and other relief activities. Ninety-seven percent of the Army's civil affairs unit structure is in the Army Reserve.

Mission

The mission of the Army Reserve as directed by Congress "is to provide trained units and qualified persons available for active duty in the armed forces, in time of war or national emergency and at such other times as the national security requires..." (Section 262, Title 10, United States Code)

The Army Reserve has made considerable progress in areas of personnel, training, logistics, sustaining the force, and preparation for mobilization. The program for Fiscal Year 1985 is designed to continue that progress toward the Total Army of Excellence which the Secretary of the Army and the Chief of Staff have mandated.

Army Reserve Troop Program Unit missions include combat, combat support, combat service support and general support. In addition to units training to perform wartime missions, the Army Reserve also includes pre-trained individuals in the Individual Ready Reserve. These personnel would provide replacements, fillers and cadre for new units in the event of mobilization.

Types of Army Reserve units and their percentages within the Total Army unit structure and relative contributions to Total Army increments are shown in Figures 1, 2 and 3.

FIGURE 1

Examples of US Army Reserve Units as a Percent of the Total Army Unit Structure (FY 84)*

Type Unit	% of Army Structure
Training Division	100
Training Brigades	100
Military Intelligence (Strategic Research and Analysis)	100
Civil Preparedness Support Detachments	100
Army Reserve Schools	100
Maneuver Area Commands	100
Maneuver Training Commands	100
Railway Units	100
Judge Advocate General Detachments	98
Civil Affairs Units	97
Psychological Operations Units	89
Smoke Generator Companies	78
Quartermaster Petroleum, Oil and Lubricant Supply Companies	67
Quartermaster Petroleum, Oil and Lubricant Operating Companies	45
Army Hospitals	65
Terminal Service/Transfer Companies	61
Services and Supply Capability	59
Conventional Ammunition Companies	51
Chemical Decontamination Companies/ Detachments	46
Watercraft Units	44
Pathfinder Units	55
Army Medical Units (Other)**	41
Combat Support Aviation Companies	38
QM Engineer Water Supply, Well Drilling, Purification Units	36
Major Logistical Units***	31
Truck Companies	30
Non-Divisional Bridge Companies	29
Combat Engineer Battalions	24
Special Forces Groups	22
Maintenance Companies (Direct Support, General Support, Non-Divisional)	24
Separate Combat Brigades	13
Field Artillery Brigades, Headquarters Detachments	9
Field Artillery Battalions**	9
Infantry Battalions**	8
Mechanized Infantry Battalions**	2
Armor Battalions**	2

* Current Structure as of January 1984

** Includes Organic and Separate Elements

*** Theater Army Area Command/Corps Support Command Headquarters Company and Material Management Center

FIGURE 2

US ARMY RESERVE CONTRIBUTION TO TOTAL ARMY (FY 84)

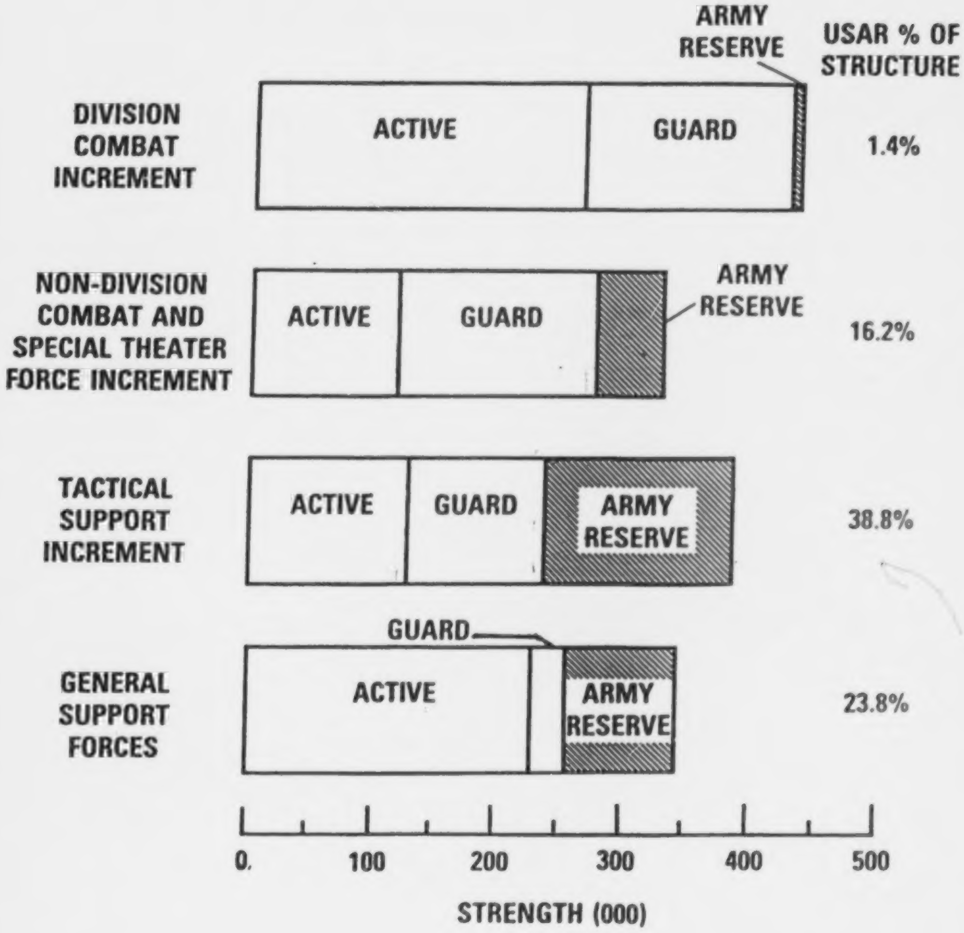


FIGURE 3

TYPE US ARMY RESERVE UNITS

DIVISIONAL FORCE INCREMENT

- INFANTRY BATTALION
- TANK BATTALION
- ENGINEER BRIDGE COMPANY

NON-DIVISIONAL COMBAT AND SPECIAL THEATER FORCE INCREMENT

- SEPARATE BRIGADES
- SPECIAL FORCES
- PATHFINDER
- ARTILLERY
- ENGINEER
- AVIATION

TACTICAL SUPPORT INCREMENT

- WELL DRILLING
- WATER SUPPLY
- TRANSPORTATION
- CIVIL AFFAIRS
- QUARTERMASTER
- PSYCHOLOGICAL OPERATIONS
- MAINTENANCE
- FIREFIGHTING
- JUDGE ADVOCATE GENERAL
- GRAVES REGISTRATION

- MEDICAL
- AMMUNITION
- CHEMICAL
- SIGNAL
- ENGINEER
- FINANCE
- AVIATION
- AMBULANCE
- MILITARY POLICE
- PETROLEUM SUPPLY
- INTELLIGENCE

- PORT CONSTRUCTION

GENERAL SUPPORT INCREMENT

- TRAINING DIVISIONS
- TRAINING BRIGADES
- GARRISONS
- HOSPITALS
- RAILWAY
- RECEPTION STATIONS
- TRANSPORTATION COMMANDS
- SCHOOLS
- CIVIL PREPAREDNESS SUPPORT DETACHMENTS
- MANEUVER AREA COMMANDS
- MANEUVER TRAINING COMMANDS

Personnel

Army Reserve Troop Program Unit end strength for Fiscal Year 1983 was 256,600. This represents a 70,000 member increase over the unit end strength reported in 1978.

Although there has been impressive progress in unit strength, the aggregate Army Reserve Troop Program Unit end strength is still short about 12,600 of authorized strength and 36,000 of wartime strength. The budget request for Fiscal Year 1985 supports achievement of at least authorized unit strength.

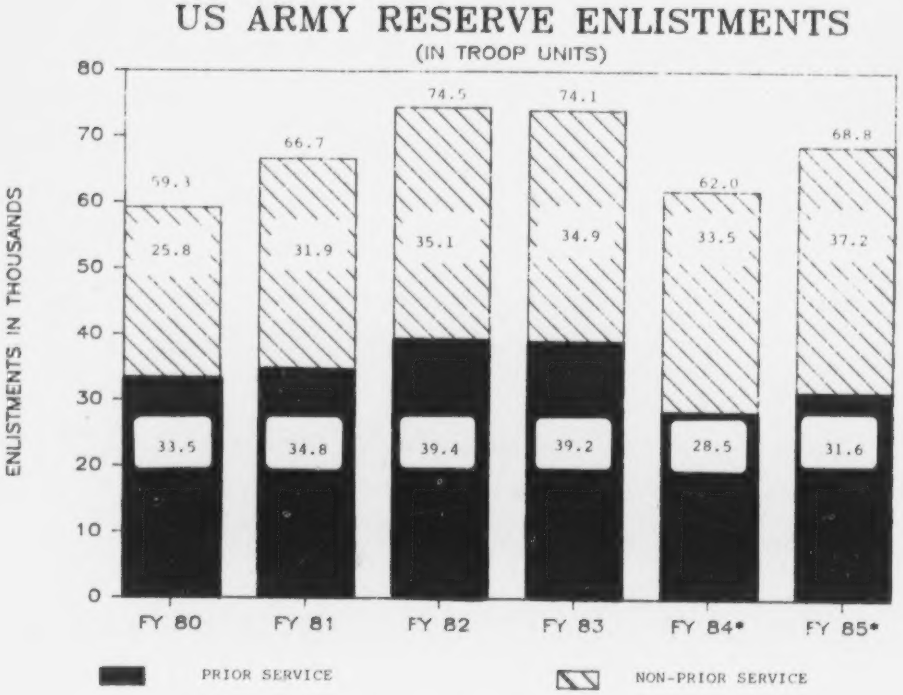
Personnel readiness of Army Reserve unit operating strength is distorted by the nondeployability of soldiers in the training pipeline. Effective October 1, 1984 a Reserve Component Individual's Account will be established. This personnel account will equate to 10 percent above the peacetime authorized strength of units in the Reserve Component force structure. Currently there are over 30,000 Army Reserve personnel in the training pipeline.

Accessions will continue to emphasize quality. Significant improvement has been made in recruiting high school diploma graduates. In Fiscal Year 1983 79.8 percent of all non-prior service enlistees in the Army Reserve were high school diploma graduates. A reduction in the percentage of non-prior service enlistments of personnel from the lowest test score category was also achieved in Fiscal Year 1983 (15.6 percent Mental Category IV).

Incentive programs work! Army Reserve soldiers were almost evenly divided when exercising their option for a cash bonus or education assistance. These two bonus programs provided 15,523 high quality enlistees during Fiscal Year 1983. Currently, the bonus program is targeted on 1,504 high priority units and many military occupational skills in the combat arms, military police and medical areas.

Army Reserve Troop Program Unit enlistments are shown in figure 4. Fiscal Year 1984 and 1985 are represented by a program number.

FIGURE 4


US ARMY RESERVE ENLISTMENTS
(IN TROOP UNITS)
ENLISTMENTS IN THOUSANDS
0
10
20
30
40
50
60
70
80
59.3
25.8
33.5
66.7
31.9
34.8
74.5
35.1
39.4
74.1
34.9
39.2
62.0
33.5
28.5
68.8
37.2
31.6
FY 80
FY 81
FY 82
FY 83
FY 84*
FY 85*
PRIOR SERVICE
NON-PRIOR SERVICE

Significant successes have been achieved in the continued growth of medical professionals in Army Reserve strength. In November 1979, nurse strength was at a 50.4 percent fill. Today it is at 77.4 percent. Medical officer strength has improved from a 29.5 percent fill in July 1980 to 58.6 percent at the end of Fiscal Year 1983. The goal is to continue recruiting qualified, quality health care practitioners, especially in the nurse and medical skills. As an indication of their expertise and willingness to serve, it should be noted that 12 Army Reserve veterinarians volunteered for active duty during the Avian influenza epidemic in December 1983. Their contributions helped stem the tide of the epidemic.

Figures 5 through 11 actively portray the Army Reserve's medical strength from Fiscal Year 1980 through projection in 1984.

FIGURE 5

SELECTED SURGICAL SPECIALTIES

Medical Corps

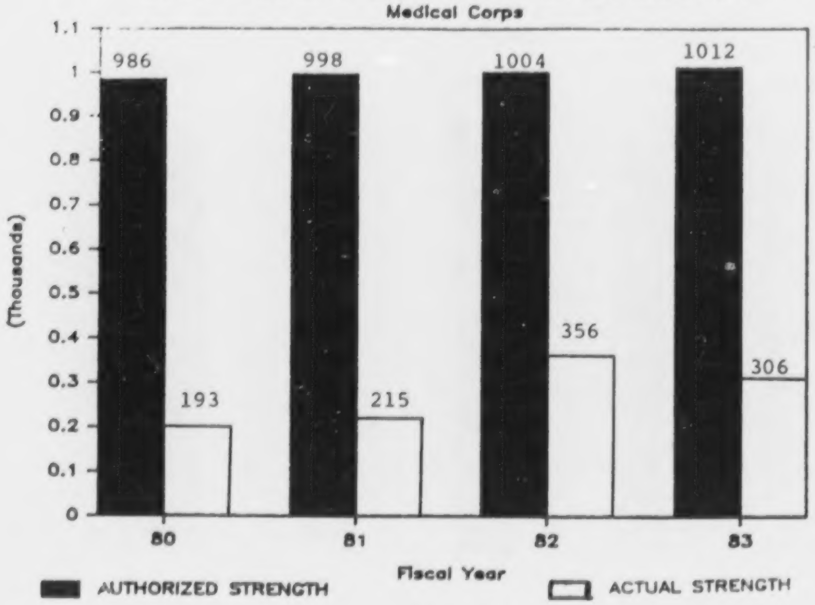


FIGURE 6

SELECTED SURGICAL SPECIALTIES

ARMY NURSE CORPS

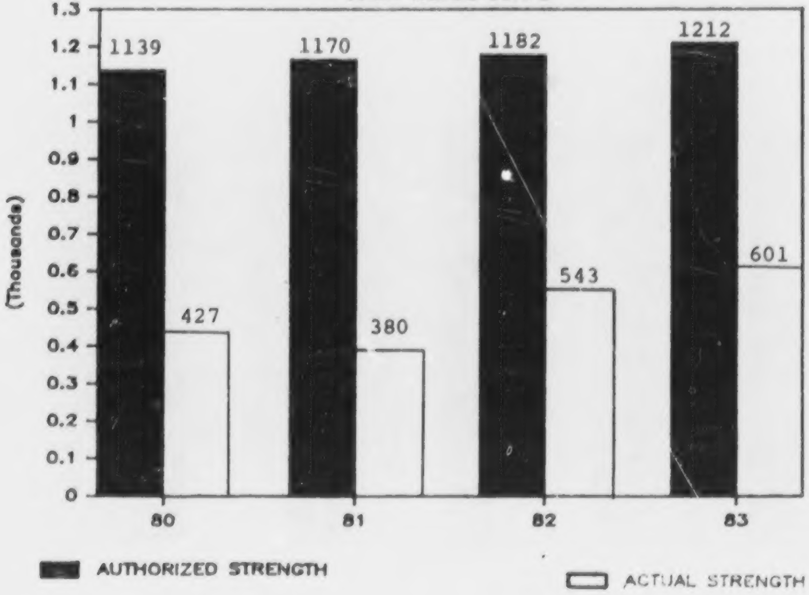


FIGURE 7

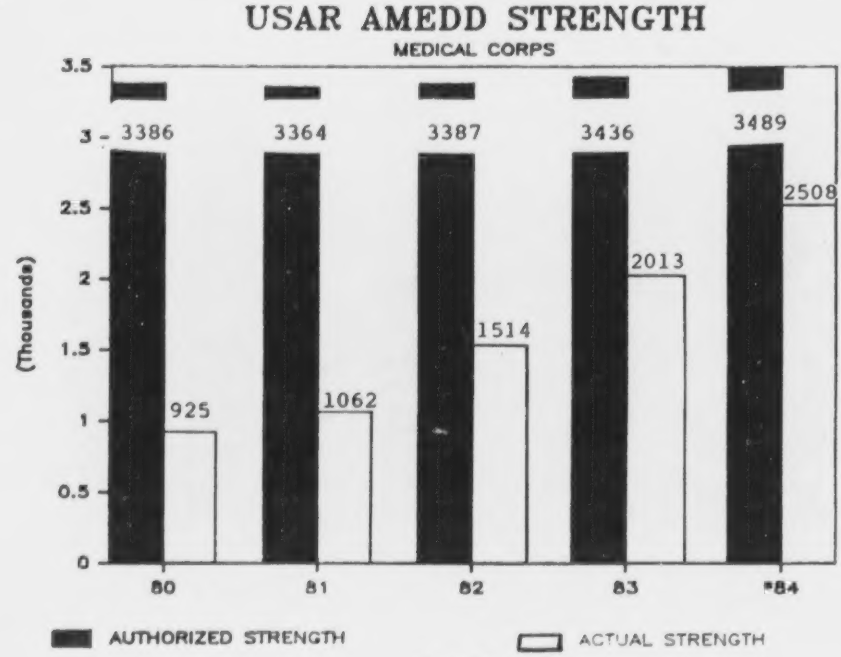


FIGURE 8

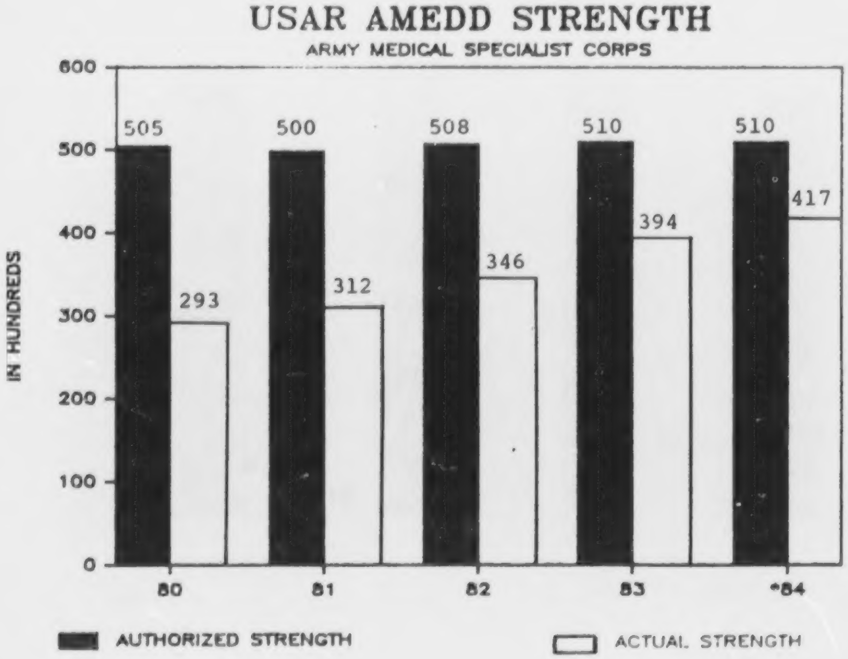


FIGURE 9

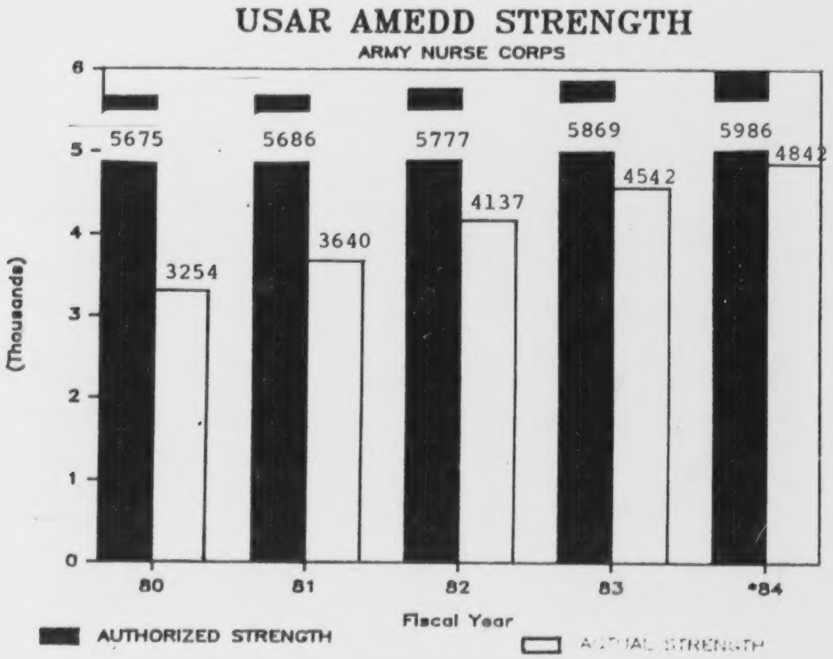


FIGURE 10

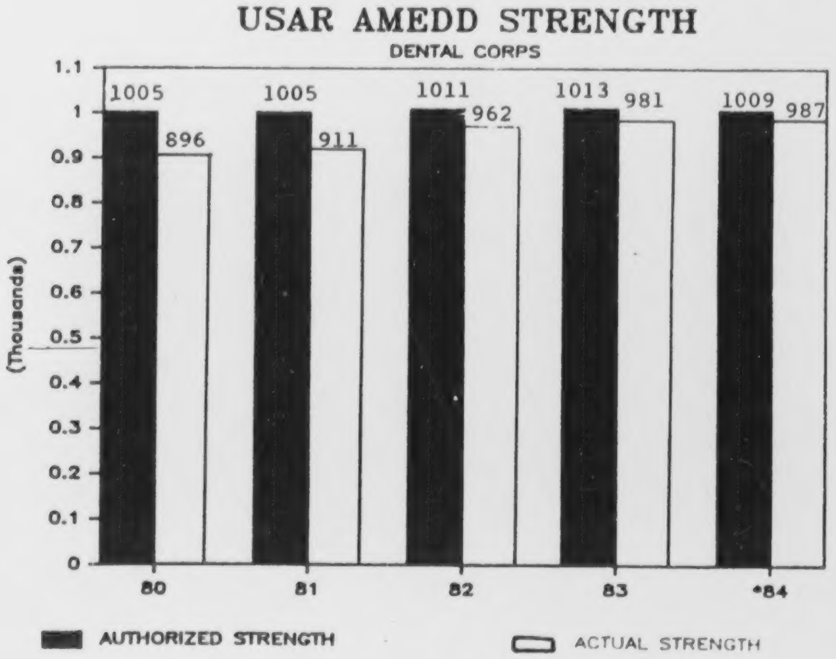
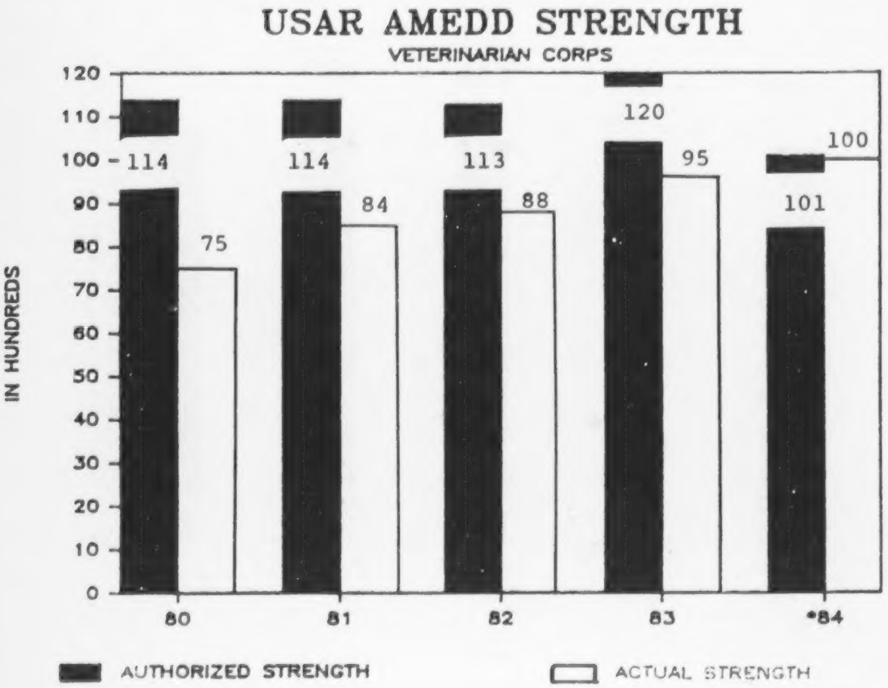


FIGURE 11



USAR AMEDD STRENGTH

VETERINARIAN CORPS

Women and Minority Representation

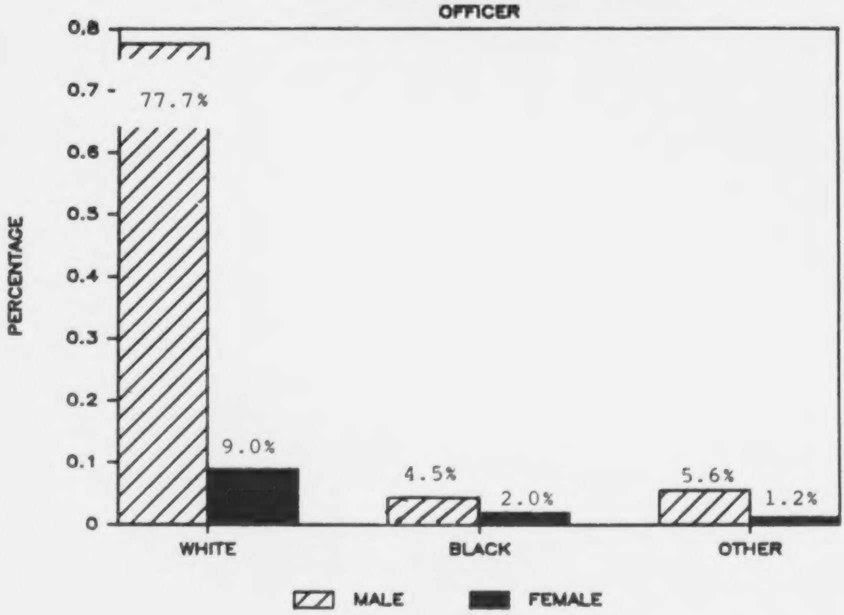
Over the past five years, female personnel strength in the Army Reserve has increased by 80 percent. At the end of Fiscal Year 1983 there were 42,000 women in Troop Program Units.

Army policy precludes women from being assigned to units which would expose them to direct combat on a routine basis. Still, female Army Reservists are eligible for assignment to 87 percent of Reserve Troop Program Units. Eighty percent of the enlisted skill areas are available for female participation, and women officers may choose from among 95 percent of the specialty skills available to Army Reserve officers.

Racial minorities are represented by 13.3 percent of the officer force and by 34.5 percent of Army Reserve enlisted personnel.

Figures 12 through 13 provide a graphic portrayal of Army Reserve women and minority representation in the Army Reserve.

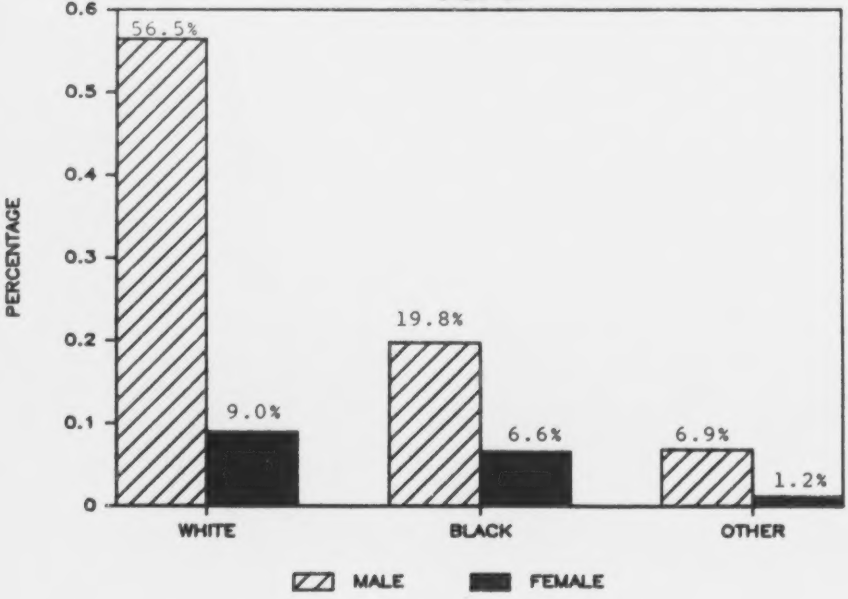
FIGURE 12



USAR STRENGTH

OFFICER

FIGURE 13



USAR STRENGTH

ENLISTED

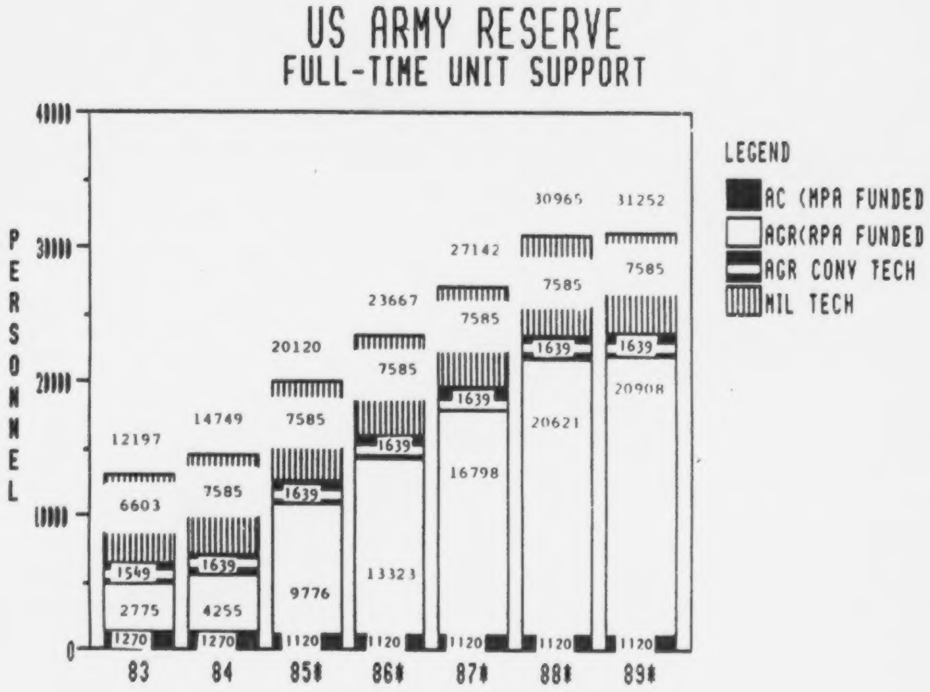
Full-Time Support

A major initiative designed to assist members of Troop Program Units of the Army Reserve achieve their readiness requirements is a programmed increase in full-time unit support. Additional full-time support personnel are vitally needed to assist units in performing training, maintenance, supply, and administrative functions. Historically, the Army Reserve has had the lowest percentage of full-time unit support personnel of the Reserve Components of all services. As an example, in Fiscal Year 1982 the percentage of full-time unit support personnel was four percent. This is projected to increase to seven percent during Fiscal Year 1985. There were 12,197 full-time unit support personnel on duty with Army Reserve units at the end of Fiscal Year 1983. They consisted of full-time Reservists--AGR (4,324), civilian technicians (6,603) and members of the Active Component (1,270). Their numbers will increase to 5,894 AGR and 7,585 civilian technicians during Fiscal Year 1984. The Fiscal Year 1985 budget permits AGR growth in units to 11,415. The Active Component growth in units remains static until Fiscal Year 1985 when it is programmed for a total of 1,120. Civilian technician growth reaches full programmed strength during Fiscal Year 1984. By

Fiscal Year 1989, approximately 10 percent of the Army Reserve Troop Program Unit personnel will be full-time individuals assisting the drilling Reservists. Qualified personnel are required to fill these AGR and civilian technician positions. Full-time support models, that include component identification, grade level, skill and unit identification code have been developed and are being refined. Evaluation of the models will be completed by 31 August 1984. These models will give a clear rationale for filling full-time positions at the unit level. The increased number of civilian technicians authorized by the Congress for Fiscal Year 1984 will be hired in jobs consistent with the requirements of the units or organizations they support. Proposed legislation to allow excepted service for civilian technicians in the Army Reserve, modeled after the Army National Guard experience, is being prepared for submission to the Congress.

Figure 14 provides the full-time unit support number in US Army Reserve units for Fiscal Year 1983 and indicates projected figures for Fiscal Year 1984 through 1989.

FIGURE 14


US ARMY RESERVE
FULL-TIME UNIT SUPPORT
PERSONNEL
40000
30000
20000
10000
0
83
84
85*
86*
87*
88*
89*
12197
6603
1549
2775
1270
14749
7585
1639
4255
1270
20120
7585
1639
9776
1120
23667
7585
1639
13323
1120
27142
7585
1639
16798
1120
30965
7585
1639
20621
1120
31252
7585
1639
20908
1120
LEGEND
AC (MPA FUNDED
AGR(RPA FUNDED
AGR CONV TECH
MIL TECH

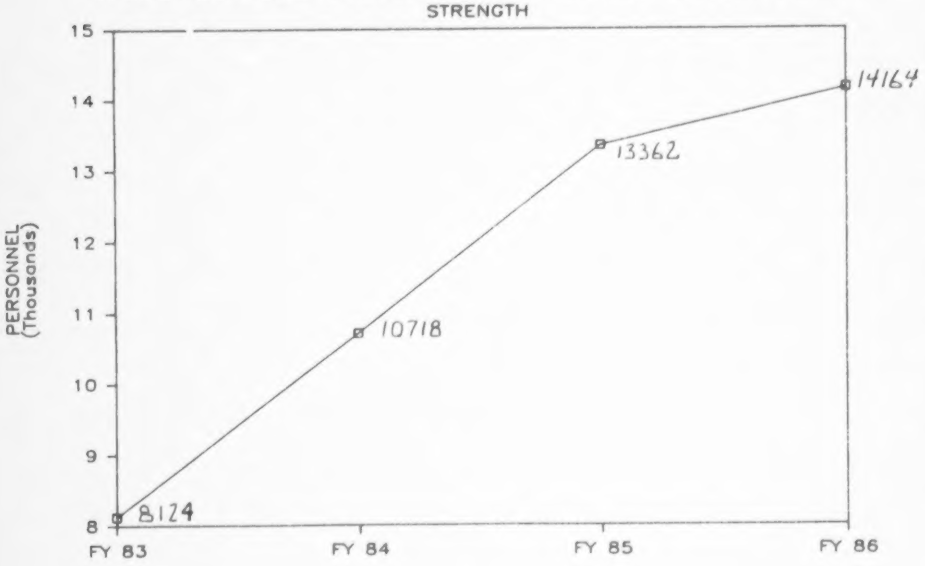
Individual Mobilization Augmentees

Individual Mobilization Augmentees are Reservists assigned to active component wartime positions. As members of the Selected Reserve, these Reservists are subject to the President's authority to call up 100,000 Reserve Component members. Programmed end strength of Individual Mobilization Augmentees will climb to 14,164 by Fiscal Year 1986.

Figure 15 expresses the Individual Mobilization Augmentee strength at the end of Fiscal Year 1983 and projects strength through Fiscal Year 1986.

FIGURE 15

INDIVIDUAL MOBILIZATION AUGMENTEES



Individual Ready Reserve

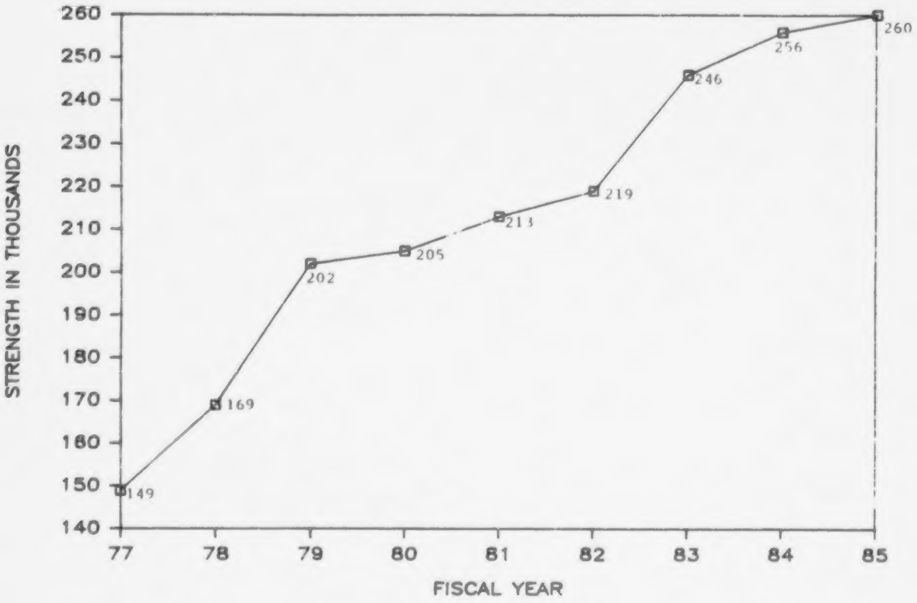
Members of the Individual Ready Reserve (IRR) are the pretrained personnel pool the Army relies upon for replacements, fillers and new units upon mobilization. Support to strengthen the IRR was provided in the Fiscal Year 1984 Authorization Act when the services were given authorization to extend the mandatory service obligation from six to eight years beginning with Calendar Year 1984 enlistments. Eventually, these additional two years will provide substantial personnel assets toward mobilization manpower readiness.

The newly authorized IRR Enlistment and Reenlistment Bonus Program should result in some strength increases in the IRR. Projections indicate that the reenlistment bonus alone could attract an additional 43,500 reenlistees by Fiscal Year 1990. Funding for the IRR reenlistment bonus requires reprogramming of funds during the current Fiscal Year. No appropriation or similar reprogramming was made for the IRR initial enlistment bonus in Fiscal Year 1984.

Figure 16 displays the low point of Individual Ready Reserve strength, the actual successful strength building years through Fiscal Year 1983, and the projected strength in Fiscal Years 1984 and 1985.

FIGURE 16

INDIVIDUAL READY RESERVE STRENGTH



Army Reserve Personnel Center (ARPERCEN)

The Chief, Army Reserve is, by statute, the advisor to the Chief of Staff for matters pertaining to the development, readiness and maintenance of the Army Reserve. He has staff responsibility for participating with other Army staff agencies in the formulation and development of Department of the Army policies for development and maintenance of the Army Reserve, and serves as Appropriations Director of Reserve Personnel Army, Operations and Maintenance Army Reserve, and Military Construction Army Reserve.

On February 3, 1984, the Army Reserve Personnel Center (ARPERCEN) was activated as a field operating agency of the Office, Chief Army Reserve. This agency will enhance the executive role of the Chief, Army Reserve through increased responsibility for the management of the Individual Ready Reserve, Individual Mobilization Augmentees and Army Reserve Active Guard/Reserve (AGR) personnel. Responsibility for ARPERCEN charges the Chief, Army Reserve to: manage the professional career development of all Army Reserve members; provide a trained IRR force in support of Total Army mobilization requirements and other crises conditions; exercise command and control of the IRR and Standby Reserve; and administer the Army Reserve AGR and IMA programs.

Training

Realistic mission oriented unit training is the amalgam between soldiers and equipment that results in readiness. It is reinforced by individual military occupational specialty training and professional development education.

Army Reserve unit training is the responsibility of the Commanding General, Forces Command (FORSCOM) and of the major oversea commanders for the Army Reserve units stationed in their geographical area of responsibility.

CAPSTONE

The FORSCOM CAPSTONE program has contributed to improved unit training. Under this program every unit is being aligned with units in the Active and Reserve Components with which it is likely to be deployed or to support in wartime. This permits soldiers who may fight together to focus peacetime training on wartime missions. It also results in improved mobilization planning and execution.

The CAPSTONE program integrates units of all components by operational plan and consists of four alignment packages: Europe, Pacific, Central Command (Rapid Deployment Force-Army) and CONUS Base. Updated annually, CAPSTONE permits Army Reserve units to focus training on wartime missions and conduct mobilization planning.

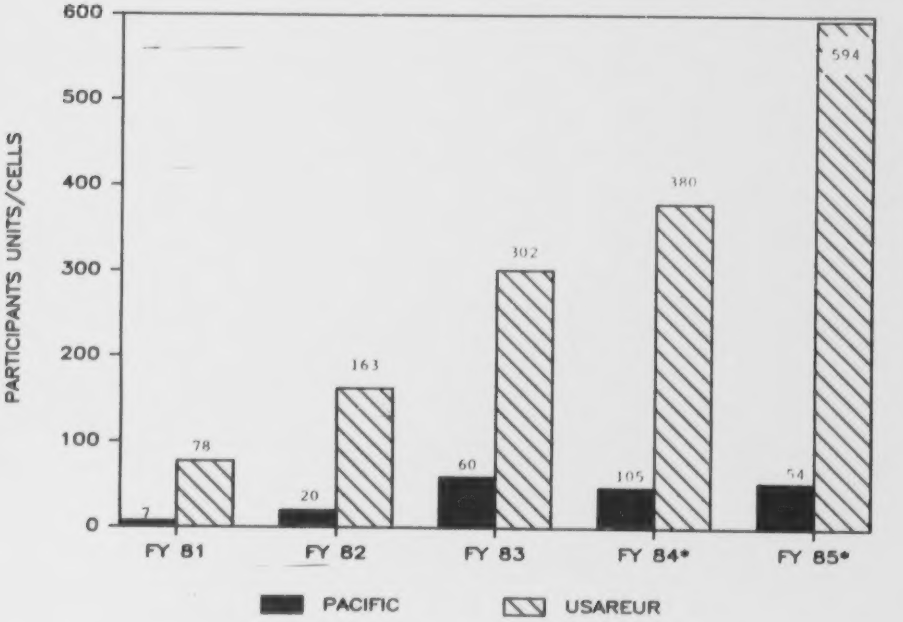
Overseas Deployment Training

An integral part of the CAPSTONE Program is Overseas Deployment Training. Since 1976 Army Reserve training overseas has increased twenty-fold. One-third of high priority units participate in this training each year.

US Army Reserve overseas deployment training is shown in Figure 17. Fiscal Years 1981 through 1983 are actual participating units or cells and Fiscal Years 1984 and 1985 represent a projection.

FIGURE 17

USAR OVERSEAS DEPLOYMENT TRAINING



*Projection

Major Training Exercises

An important training vehicle for Army Reserve units and personnel is the the participation in major joint readiness exercises. Army Reserve units annually participate in five separate U. S. Army Europe exercises, one in Iceland, and three others in Korea or Japan. Additionally, there are three CAPSTONE exercises within the continental United States that permit mission training participation by either Theater or Corps Support Command units.

Training Devices

Skill qualification and readiness training can be further enhanced by increased use of training devices and simulators which permit cost effective training. Devices such as the Multiple Laser Engagement System (MILES), Weaponeer rifle marksmanship devices and videodisc gunnery trainers will help to maintain realism and increase combat efficiency. During Fiscal Years 1984 and 1985 the Army Reserve and National Guard are scheduled to receive 55 sets of MILES for distribution to 30 reserve component training sites. These 55 sets will cost $33 million and provide realistic training opportunities for Reserve Component units. By the beginning of Fiscal Year 1986, 24 Weaponeer devices will have been delivered to Army Reserve separate infantry brigades, training divisions, and Army Reserve commands at a cost of $1.25 million. State of the art training device technology can make possible relatively inexpensive simulation, substitution, or miniaturization. Increased use of these systems will reduce ammunition consumption and permit maintenance of established standards of proficiency.

New Equipment Training

Training requirements expand as new or redistributed equipment comes into the Army Reserve inventory. Two hundred new items are scheduled to be received during Fiscal Year 1986 through Fiscal Year 1990. Training must begin prior to equipment arrival. To effect a smooth transition, training support items and school quota projections are being made.

MOS Qualification Training

Individually, approximately 70 percent of unit enlisted personnel are MOS qualified. Ten percent are in or awaiting their MOS qualification training. The other 20 percent are not fully qualified in the MOS of the position to which they are assigned. Fiscal Year 1984 funding and funding requests in Fiscal Year 1985 reflect the increases necessary to support increased formal training of Reservists in an active duty training status. This will include retraining of prior service personnel in their duty MOS at service schools.

IRR Training

Although unit training and unit individual training have the highest priority, there is a substantial training requirement for the IRR. Prior to Fiscal Year 1983, about six percent of the IRR enlisted and 20 percent of the IRR officer force received any type of training during a given year. In September 1983 a pilot two-week refresher program was successfully conducted at Camp Atterbury for 105 IRR soldiers. The 70th Training Division conducted basic skill training in infantry while other Reserve units provided support. The Training and Doctrine Command and Forces Command are developing plans to expand that program to include other combat skills in Fiscal Year 1984.

Physical Fitness

Physical fitness must be the hallmark of all soldiers. Since October 1983, unit Army Reservists and members of the

IRR have been required to maintain the same physical readiness standards applied to the Active Component. However, two major hurdles seriously hamper our physical training effort for soldiers over 40. Medical screening for Reservists 40 years and over and the lack of adequate medical and disability compensation for cardiovascular conditions aggravated by physical readiness exercise reduce the effectiveness of the program. Therefore, passage of HR 1497 to alleviate the care and compensation problems associated with cardiovascular risk are essential.

Force Structure

Army Reserve--An Essential Element of the Total Army

Structurally, Army Reserve units constitute 1.4 percent of the Total Army's division combat increment, 16.2 percent of the non-divisional combat and special theater force increment, 38.8 percent of its tactical support increment, and 23.8 percent of the general support increment. (See Figure 2). The Army Reserve unit structure is not a mirror image of the Active Army. Rather, it complements and supplements the other components to provide the Total Army the required structure.

Over the next five years, plans call for unit structure to increase by over 150 combat support and combat service support units. Among these new activations will be medical, chemical smoke and decontamination, maintenance, and transportation movement control units.

Fiscal Year 1985 includes 171 separate force structure actions with a net increase of 4,435 authorized spaces. Concurrent with these increases are the transfer to the Army Reserve of Active Component missions and unit sets of equipment. These actions increase the Army Reserve's role in the Total Army by increasing the number of Army Reserve units which complement or roundout decremented Active Component units. Additionally, the Fiscal Year 1985 program contains significant actions to enhance Total Army combat service support capabilities and modernization of structure in existing units. These Fiscal Year 1985 actions will reduce critical shortfalls in combat service support capability, and concurrently meet requirements to enhance, modernize, and better align the organization of existing units.

Army Reserve Command and Management

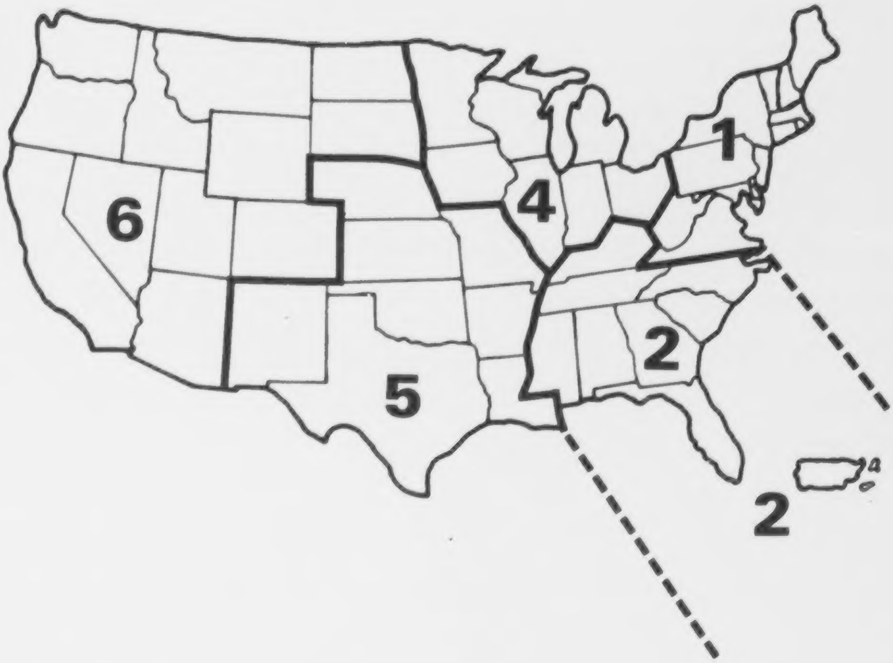
The Army has adopted a plan to streamline the Active Component's management structure of the Army Reserve. Elimination of the nine Army Readiness and Mobilization Regions (ARMR) and establishment of two additional Continental U. S. Army headquarters will be completed by January 1985. On 30 September 1983, ARMR IV Headquarters was disestablished, and on 1 October 1983 Second U. S. Army Headquarters was established. ARMR Headquarters I, II, and III will be disestablished on 30 June 1984, and Headquarters, First U.S. Army is to be reorganized on 1 July 1984. Finally, ARMR Headquarters V, VI, VII, VIII and IX are scheduled for disestablishment on 31 December 1984. Reorganization of Headquarters, Fifth and Sixth U.S. Armies will coincide with the establishment of Headquarters, Fourth U.S. Army on 1 January 1985. These organizational changes will result in Major U.S. Army Reserve Commands assuming greater responsibilities in certain areas such as training and mobilization planning.

Upon completion of the reorganization CONUS boundaries will be as shown in Figure 18.

FIGURE 18

CONTINENTAL US ARMIES

Effective January 1985



Logistics

Equipment

Major end items of Army Reserve equipment are funded, procured and distributed by the Active Component. The first-to-fight, first-to-be-equipped philosophy applies to prioritization of both Active and Reserve Components in the Army's efforts to overcome the equipment shortages of the past.

Equipment is a critical element of the readiness equation. Presently, by dollar value, Army Reserve peacetime (authorized) percent of equipment fill is 63 percent, while the wartime (requirements) percent of fill is 50 percent. However, equipment posture has been improved through dedicated procurement and distribution of new equipment from Total Army procurements. As an example, programed issue of Commercial Utility Cargo Vehicles, UH60 Blackhawk, and CH47D Chinook helicopters during Fiscal Year 1985 through 1991 will substantially improve capabilities for those items in Army Reserve units. Issue of displaced equipment such as the M113 Armored Personnel Carrier will also improve Army Reserve war-fighting capability. Distribution of fixed wing aircraft, however, has fallen behind and is not forecasted to improve because of limited procurement of C-12 aircraft in the Active Component.

Distribution of new equipment and redistribution of displaced equipment are significant elements in improving Army Reserve equipment readiness. In 1981, Congress provided a 25 million dollar appropriation for dedicated procurement. That Fiscal Year appropriation was followed by 34.75 million in 1982, 15 million in 1983, and 15 million in 1984. Additionally, new equipment and redistributed equipment were provided in the amounts of $60.5 million in Fiscal Year 1982 and $95 million in Fiscal Year 1983.

Substantial improvement in stock fund clothing and equipment has been accomplished over the past three years. Early deploying units especially have benefitted through receipt of their authorized clothing and equipment. Attention during Fiscal Year 1984 is partially focused on correcting medical equipment shortages in battalion aid and clearing stations. Shortages still exist in other medical equipment areas such as evacuation and field hospitals. These are priority items in Fiscal Year 1985 along with non-medical stock fund items.

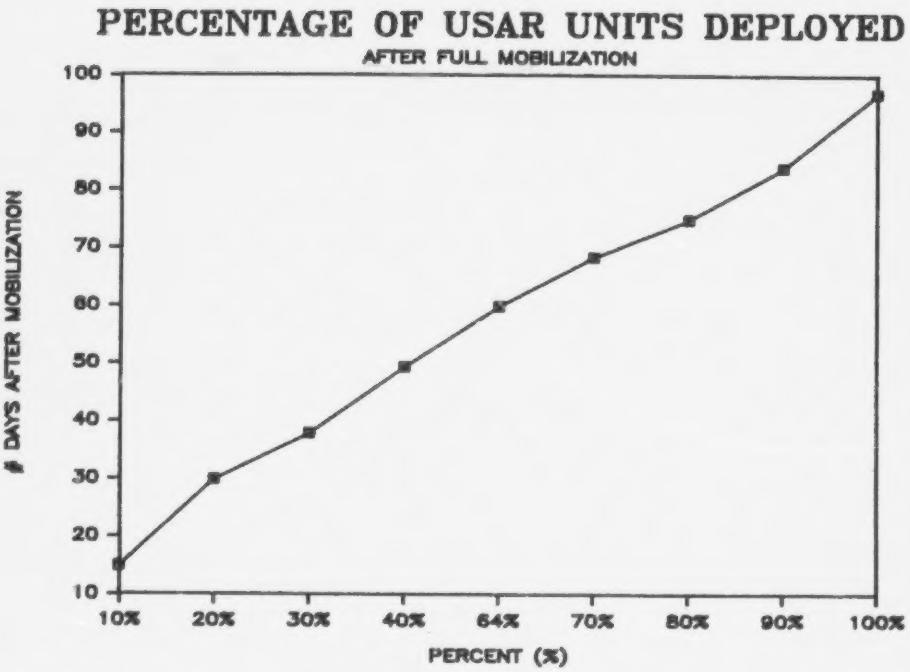
The Fiscal Year 1985 USAR Active Troop Action Guidance represents the first program to transfer Active Component missions and unit sets of equipment to the Army Reserve. Units activated under this program will enhance the Army's combat service support capability. These units include critical areas of conventional ammunition supply, water production and storage, chemical decontamination, communications and medical support. Ten units scheduled for such activation will accept missions and equipment sets directly from inactivating Active Component units. Further modernization of Army Reserve unit structures can also be expected as a result of this program.

Mobilization

Approximately 20 percent of Army Reserve deployable units would be committed within 30 days of mobilization. Some of these units will be required to deploy directly from Army Reserve centers to ports of embarkation because of early deployment schedules. Sixty-four percent of our units will deploy in the first 60 days after mobilization. Most of the remainder leave within 90 days of mobilization.

Figure 19 provides a graphic description of the Army Reserve mobilization schedule.

FIGURE 19


PERCENTAGE OF USAR UNITS DEPLOYED
AFTER FULL MOBILIZATION
# DAYS AFTER MOBILIZATION
100
90
80
70
60
50
40
30
20
10
10%
20%
30%
40%
64%
70%
80%
90%
100%
PERCENT (%)

Today as the size of the Active Army is being held essentially constant the result is greater reliance on the Army's Reserve Components. Mobilization planning is being improved through the increase of full-time Army Reserve mobilization planners at selected headquarters and installations. At the unit level, planning and readiness are being enhanced by additional full-time unit support personnel.

Another significant mobilization enhancement has been initiated. The Demonstration Continental Army Management Information System Validation System (DCVS), a Reserve management information system, has been developed and resourced, and was used in MOBEX 83 to demonstrate successfully automation as a valuable mobilization tool. DCVS is currently being utilized to refine further and evaluate the requirements for automation of the Army Reserve for incorporation into the mainline Continental Army Management Information System (CAMIS).

Automation Management Systems

Automation management systems in the Army Reserve are receiving attention. The Decentralized Automated Service Support System (DAS-3) provides 93 van-mounted Honeywell computer systems to support combat service support missions in non-divisional, division, and corps support units.

For combat service support at corps and echelons above corps, two of seven Army procured van-mounted IBM computers will be received by the Army Reserve as part of the Interim Theater Automated Support Center (ITASC). As a link with DAS-3, and ITASC, over 1,100 micro-computer systems are being provided as part of the Tactical Army Combat Service Support Computer System (TACCS) beginning in Fiscal Year 1985. Unit training and site preparation are currently underway in the two Army Reserve units scheduled to receive ITASC.

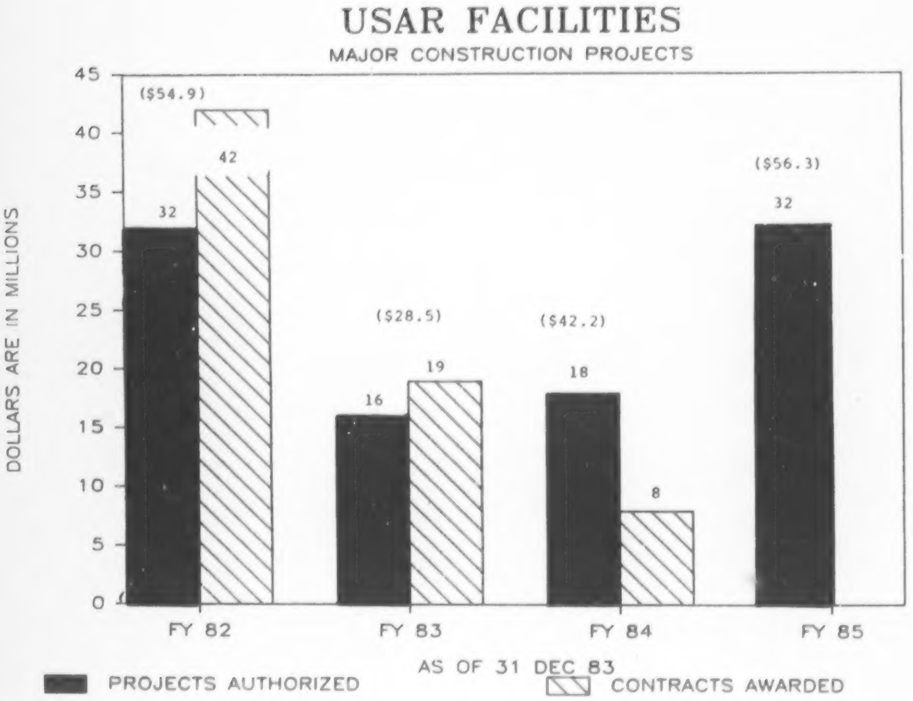
Numerous studies and experience gained through mobilization exercises identified significant shortfalls in Reserve Component automation support. CAMIS will be the major computer based information resource management system to support the Army Reserve and National Guard command and control systems in peacetime and upon mobilization. Over 11,000 terminals and computers located in over 5,000 Reserve Centers and Guard Armories will record data activities as they occur, and store it in distributed data bases accessible to commanders and staff throughout the system. The present level of funding will be sufficient to continue development of CAMIS. The two top bidders will be selected to engage in a "compute-off" during October 1984 and October 1985, and mainline CAMIS should be fielded in October 1986.

Military Construction

Military construction for the Army Reserve has been a success (Figure 20). During Fiscal Year 1983, 16 projects were programed for contract award. Through timely execution of Fiscal Year 1982 and Fiscal Year 1983 programs and a favorable construction market and congressional approval of reprogramming requests, 14 additional projects were executed. In Fiscal Year 1984, construction of eight new replacement centers and one maintenance facility will begin. Furthermore, work will begin on the modernization and expansion of 10 existing Army Reserve centers.

The Fiscal Year 1985 budget request for Military Construction, Army Reserve will permit construction of six new replacement centers, two multi-purpose field training ranges, and modernization and expansion of 24 other centers.

FIGURE 20


USAR FACILITIES
MAJOR CONSTRUCTION PROJECTS
DOLLARS ARE IN MILLIONS
45
40
35
30
25
20
15
10
5
0
($54.9)
32
42
($28.5)
16
19
($42.2)
18
8
($56.3)
32
FY 82
FY 83
FY 84
FY 85
AS OF 31 DEC 83
PROJECTS AUTHORIZED
CONTRACTS AWARDED

Economies, Efficiencies, and Management Improvements (EEMI)

The Army Reserve is conscious of the importance of economies, efficiency and management improvements. Projections throughout Fiscal Year 1984 reflect two million dollars savings in utility (energy) conservation. These cost savings will be made possible through energy saving practices at Army Reserve Centers and eight OMAR funded installations and sub-installations. These cost savings should continue and produce a $2.1 million savings during Fiscal Year 1985. Additional cost savings in Fiscal Year 1985 are in procurement of ADP equipment when it is most cost effective--a $1.9 million savings, and in spare parts acquisition where implementation of procurement improvements concerning competition and price surveillance should save another $4.3 million. Overall the Army Reserve forecasts a $2.6 million savings in Fiscal Year 1984 and $8.8 million during Fiscal Year 1985.

Conclusion

The Army Reserve is proud of accomplishments made in Fiscal Year 1983. Strength of the troop program units has continued to grow. The monetary incentives have contributed to this growth. An essential ingredient is also the effective leadership of officers and non-commissioned officers throughout the entire Army Reserve chain of command. Their efforts to improve training and readiness are essential to the Total Army of excellence. Improvements in the management of the Individual Ready Reserve continue with particular emphasis upon enlisted personnel. The Fiscal Year 1985 budget request of $2.4 billion (plus an amount attributable to retired pay accrual) builds upon previous accomplishments by further improving the ability of the Army Reserve to organize, man, equip, train and mobilize in support of the Army's global strategy of deterrence, and if deterrence fails, to be able to defeat any enemy in any environment.

The following statement from the posture statement of the Secretary of the Army and the Chief of Staff also applies to the Army Reserve:

> "We are at a critical juncture today. The progress that we have made in recent years reflects the support and cooperation of congress. Continued support will be essential to meet the manning, training, modernization and logistics challenges of the future Army of Excellence."

Senator **Jepsen**. Thank you, General.

Senator **Kennedy**. Mr. Chairman, I have a schedule conflict. I have just one question. Could I ask that question?

Senator **Jepsen**. Yes.

REAL GROWTH IN DEFENSE BUDGET

Senator **Kennedy**. General, there has been a real growth in defense budget of some 43 percent over the last 3 years. The percentage in terms of the support for the Reserves has been less than that.

I am just wondering what is your reaction or what comments you would like to make, given the importance of the Guard and Reserve for our military posture.

Is there anything you would like to say?

General **Berkman**. I think there has been significant support for the Army Reserve, speaking for the Army Reserve, over the past few years. I mentioned the increase in personnel as one essential element of that equation.

In 1979, as an example, the paid drill strength, unit strength, was about 186,000. The current unit strength of the Army Reserve is closer to 256,000.

So, there has been significant support in addressing the personnel requirements for the Army Reserve.

Also, there have been significant increases and identification of the kind of equipment that is necessary and there is currently in the plan as part of the Department of Defense policy and Army policy that those units that are first to be deployed and fight will also be the first to be equipped.

Senator **Kennedy**. I suppose I wouldn't get a different answer from the other witnesses.

General **Berkman**. We are never satisfied. There are always additional unfunded requirements. I guess nobody is completely satisfied with the progress toward those requirements, but there has been significant progress.

General **Walker**. I certainly agree with what General Berkman has said. Never are we satisfied I guess until we get them up to the status of combat ready.

When I say "ready," I mean in operational condition. Let us examine the equipment situation. When equipment is being issued, the first to fight is the first to be equipped. This is a policy nobody can disagree with.

When you take the Army and National Guard in that light, you have to look at last year. For example, we had a battalion of M-1 tanks issued to us in the State of North Carolina. We have had M-60A3 tanks issued to us in Georgia.

The M-60A3 tanks our brigade in Georgia received were issued to them before their Active Army parent unit received theirs.

We are receiving the Blackhawk helicopter.

We are receiving an air defense system, the Roland system, the only one in the Army. We in the Guard have that.

Senator **Kennedy**. I gather you are generally satisfied?

General **Walker**. Yes, sir.

Senator **Kennedy**. You have other needs, but in the allocation of resources you are generally satisfied?

General **Walker**. That is right, sir.

Senator **Kennedy**. Thank you.

Senator **Jepsen**. Admiral Kempf?

STATEMENT OF REAR ADM. CECIL J. KEMPF, U.S. NAVY, DIRECTOR OF THE NAVAL RESERVE

Admiral **Kempf**. Thank you, Mr. Chairman.

I have submitted a longer statement. I would like to make a couple of brief remarks.

First, I am delighted to be able to report to you we have a strong and healthy Naval Reserve. The capability of the Naval Reserve continues to improve.

I think the important thing is that the Naval Reserve is an integral part of the Navy structure and is required to meet Navy mission requirements.

The most encouraging sign, as has been mentioned here by several people, is that the category of selected reservists, drilling reservists, is on the increase. We finished fiscal year 1983 with 96,000 drilling reservists and we expect to end this fiscal year with 105,000.

That is almost a 10-percent increase toward the goal that we are going after. I am optimistic we will make it.

The Naval Reserve force readiness has shown a modest improvement in the last year. That is primarily because of better personnel training and improved hardware. We are continuing to provide mutual support to the fleet at the same time that we are getting valuable Naval Reserve training.

Mutual support is a relatively new thing that is increasing. We are getting a lot of benefit out of that, both to the Active force and in the satisfaction of the reservists in participating in day-to-day Naval functions.

Of course, as has been mentioned before, the Naval Reserve has supported the U.S.S. *New Jersey*. We had 850 selected reservist volunteers spend their Christmas and New Year's holidays off Lebanon to relieve *New Jersey* crew members. That program is continuing. We will have six increments of that evolution, totaling 350 people that will have been involved when it is all over.

For 1985, under the budget that has been submitted, we plan for 110,000 selected reservists, that is paid drillers, by the end of that year. That is another 5,000 growth.

We want to continue the Sea and Air Mariner accession program for 10,000 new non-prior-service personnel. We feel this program is absolutely vital to the growth that we have planned for the Naval Reserve, primarily because 50 percent of our enlisted requirements are for pay grade E–4 and below.

We currently have 17,000 vacancies in that catergory, so we must get on with recruiting younger people in the Naval Reserve.

It also is an opportunity for us to grow our own in some critical skills since the prior service people may not have the skill we are looking for within the required geographic area, particularly for Naval Reserve Force ships.

Therefore, we have to recruit the younger people who can provide the time to go to the necessary schools, whereas a prior service reservist can normally only give us his drilling weekends and 2 weeks of active duty. So that is a very vital program to us.

Equipment modernization continues. The Naval Reserve Force ship ASW frigate plan is on schedule. We will have 24 frigates by fiscal year 1988.

Horizontal integration in our aviation forces is continuing. We are even doing better than we had thought we would in some of those areas.

In summary, the Naval Reserve capability is increasing, readiness is improving, personnel strength is up, training is more effective and the Force is being modernized.

The request that we have placed before you for fiscal year 1985 will accelerate the progress in all these areas.

Our recent report to the Congress on the naval total force outlines our capability in detail and discusses our plans for the future.

Thank you, sir.

[The prepared statement of Admiral Kempf follows:]

PREPARED STATEMENT OF REAR ADM. CECIL J. KEMPF, USN, DIRECTOR OF NAVAL RESERVE

Mr. Chairman and Members of the Committee:

It is my pleasure to appear before you today to outline the current status of the Naval Reserve and present our program for Fiscal Year 1985.

This is my first opportunity to appear before this committee since assuming the responsibilities of Chief of Naval Reserve last December. Although I have had numerous associations with the Naval Reserve during my more than 33 years of commissioned service, including my first assignment in a Reserve squadron during the Korean War, I now have a better appreciation of the capabilities and enthusiasm of our citizen sailors.

THE NAVAL RESERVE MISSION

The Naval Reserve is an integral part of the Navy's structure and is essential to the successful execution of the Navy's mission. As Admiral Watkins has stated, our national military strategy rests on three fundamental pillars: deterrence, forward defense, and allied solidarity.

The Naval Reserve's role is to contribute to the overall Navy capability in the first two of these pillars. Obviously, a strong Naval Reserve is an effective part of the Navy's deterrence capability. The contribution of the Naval Reserve to the Navy's forward defense capability is more subtle, but is of growing importance. A Naval Reserve which is integrated fully into the Navy's structure provides support to the Navy's active forces, permitting, as a by-product of training, more efficient use of deployed Naval forces.

The Navy's goal is a 600 ship, 15 battle group force to achieve the capability necessary for the success of its maritime strategy. We must continue to improve the readiness and sustainability of the Naval Reserve so that it can be a more effective part of this strategy. The Naval Reserve mission is stated simply: to be trained and ready for mobilization, ready to be a part of the Navy that wins the war at sea.

TODAY'S NAVAL RESERVE

I am pleased to report that the capability of the Naval Reserve continues to improve. Our readiness indicators are up. Selected Reserve strength continues to grow. The match of individual skills with mobilization billet requirements has increased. The program for modernization of equipment has been accelerated. Training opportunities are being made more interesting and productive. These gains have resulted in a parallel improvement in the support we provide to active Navy units as a by-product of mobilization training - what we call Mutual Support.

Selected Reserve Strength

One of the most encouraging signs of improvement in the Naval Reserve is our gains in Selected Reserve (Category A) strength. Our authorized Selected Reserve average strength for Fiscal Year 1983 was near 92,500 and is just over 96,000 for Fiscal Year 1984. The Naval Reserve exceeded the Fiscal Year 1983 strength floor by reaching 95,955 at the year's end. Our growth has continued to increase to over 97,100 at the end of January 1984.

We have, however, seen a leveling off trend. The nation's improving economic climate, plus the tasking of additional recruiting for our new Sea and Air Mariners and accelerated TAR growth, has adversely affected the results of a relatively small recruiting force. We are working to obtain additional recruiters and associated support funds this year to maximize our efforts to recruit and retain the highest quality personnel in the Naval Reserve.

I am optimistic that, although we have raised our Fiscal Year 1984 end strength objective by more than 5,000 over what it was last year at this time, we will meet our target of 108,000 Selected Reservists in Category A and other Reservists on Initial Active Duty Training.

Improved Match of Selected Reservists

The positive management actions we instituted to improve the match of skills of individual Selected Reservists and their mobilization billet requirements are working. In Fiscal Year 1982 we implemented the Naval Reserve Recruiting and Manning Objectives System (NAVRES RAMOS), which is designed to match accessions with Selected Reserve mobilization requirements, thereby improving the quality of manning in the Selected Reserve. This system controls accessions in significantly overmanned ratings and provides the highest incentives for recruiters to fill ratings which are most severely undermanned.

We are also encouraging the cross training and subsequent transfer of personnel, who are in skill areas which are full relative to requirements, to areas of relative shortage. The overall trend of the Selected Reserve in matching skills to mobilization requirements is moving toward our goal of a one hundred percent match of skills and billets.

Improved Training

Providing quality mobilization training to members of the Naval Reserve is a constant challenge. It is particularly difficult during times of personnel strength increases, evolving force structure, and upgrading of equipment. However, we are making real progress. Spearheading the drive to improved training is the Naval Reserve Force (NRF) Frigate Program. Innovative approaches for qualification training are being developed, including:

- o Intensive Naval Reserve Force Pre-arrival Crew training which commences two years prior to transfer of the ship to the Naval Reserve Force.
- o The development of FFG-7 (NRF) and FF-1052 (NRF) Navy training plans which include all SELRES training requirements.
- o Formal onboard training packages to improve the performance of individuals and teams.
- o The inclusion of Naval Reserve requirements in existing Navy training plans.
- o Improved utilization of Fleet Training Centers on weekends.
- o An ambitious Shipboard Simulator and Damage Control Training Program.

We are continuing to emphasize training with the active Navy gaining command to which the unit or individual will mobilize. This concept of training has proven to be most effective. It provides realistic hands-on training opportunities for Reservists which improve individual readiness and is a positive motivator for participation and retention. It also provides opportunities to support active force units as a by-product of such training (Mutual Support) and makes active force personnel more aware of the capabilities and dedication of Naval Reservists. We are requesting additional funds for the Weekend Away Training (WET) program that makes much of this productive training possible.

Readiness Improvements

The overall Naval Reserve Force Readiness has shown modest improvement since last year, which I attribute to quality improvements in personnel training and hardware.

The readiness of our aviation units continues to show a consistent pattern of improvement. The benefits of the concerted effort to modernize the force are being realized in terms of greater operational capability and better trained personnel. We have enjoyed an approximately ten percent increase in readiness from the positive trend reported to you at this time last year. A-7B TF-30 P408 engines, isolated personnel shortages, and the temporary decrease in reported readiness associated with transition are three areas which still need improvement. I am confident, however, that existing and proposed programs will enable us to continue our progress in aircraft squadron readiness.

The readiness status of ships assigned to the NRF continues to remain relatively stable. While we did have some degradation in readiness because of personnel shortages, we have taken steps to improve manning aboard our ships. We have directed field activities to place first priority on recruiting to ship vacancies. Additionally, we have provided for additional drills (up to 30) for Selected Reservists assigned to NRF ships, initiated a pilot program for remote manning in Charleston, and developed a proposal for an incentive pay for personnel assigned to such difficult-to-man units.

Readiness of our other commissioned Naval Reserve surface units has continued to improve. For the period ending this past January, we have seen a steady six percentage point growth over the past year and a half in units fully capable of meeting assigned missions. Further, Navy's Fiscal Year 1985 budget contains increased funds for equipping these units.

In our reinforcing/sustaining units we are showing even better progress. Over the past year and a half we have shown a seventeen percentage point improvement in readiness of units essentially capable of meeting assigned missions. Concurrent with this has been a twenty-two percentage point increase in personnel qualified for their mobilization billets at a time when we have expanded from approximately 65,000 to over 81,000 billets in reinforcing/sustaining units.

Mutual Support

Mutual Support is the method of providing direct assistance to the Navy in the performance of its peacetime mission as an increasingly important by-product of mobilization training. We are continuing to emphasize this concept because of its high efficiency. It benefits the Navy in the form of real work performed and the Reservist in the form of realistic training and the satisfaction of participating in day-to-day Naval functions. Examples of our efforts in this area during Fiscal Year 1983 and continuing through the present, are:

o Reserve patrol squadrons (P-3's) routinely provide fleet ASW support at Bermuda, Lajes, and Cubi Point during active duty training periods. In addition, Naval Reserve patrol squadrons dedicated 800 flight hours in Fiscal Year 1983 to the Vice President's Drug Interdiction Program, resulting in the eventual apprehension of several drug runners. One example was the seizure of the M/V Northern Light and confiscation of $44 million worth of marijuana.

o Reserve tactical attack and fighter squadrons provide friendly and opposition forces for war-at-sea, fleet air defense, and air-to-air warfare exercises for workup training of deploying battle groups. For example, in April 1983, we deployed eighteen F-4 aircraft from two Dallas based Reserve fighter squadrons to NAS Sigonella for Exercise National Week XXXII. These units provided extensive support for the CTF-60 Task Group while conducting invaluable mobilization training.

o Reserve Composite Squadrons provided over 5,000 hours of services to fleet units by participating in Dissimilar Air

Combat Training, acting as target aircraft for air intercept training and radar tracking exercises, and by performing the role of aggressor aircraft in fleet exercises.

- Reserve transport squadrons furnish the entire domestic fleet logistic support and augment the Mediterranean, including the Lebanon Multinational Contingency Force, on a regular basis. C-9B's also routinely deploy to the Western Pacific. Of particular note, a Naval Reserve C-9B helped evacuate wounded Marines and sailors to hospitals in Italy and Germany after the terrorist bombing at the Beirut airport, and four Reserve C-9B's contributed airlift support during the Grenada Operation.

- Naval Reserve force ships include modern FF-1052 and FFG-7 frigates and special boat units under operational control of fleet commanders. Using mixed active/inactive crews, they integrate fully into fleet exercises and underway training schedules. For instance, NRF ships participated in Solid Shield 83 and Varsity Player 83, and NRF fleet tugs provided target tow services to fleet ships during weekend training.

- Shore Intermediate Maintenance Activity Reserve units provided more than 83,000 mandays during Fiscal Year 1983 in direct support of ship overhaul and rework projects at intermediate maintenance level activities. For example, the Naval Reserve Maintenance Training Facility in Orange, Texas, built and delivered to the fleet 100 boiler inspection devices at a cost savings to the Navy of $1,600 per unit.

- The Reserve Naval Construction Force, which constitutes 68% of Navy's total construction force structure, contributes approximately 35,000 mandays yearly at various stateside and overseas projects. These projects have included rehabilitating facilities at the Naval Recreation Center, Solomon's, Maryland; Naval Station Guantanamo Bay; and Naval Station Panama.

- More than one third of all intelligence information processed for day-to-day fleet support is produced by Naval Reservists. Intelligence Units also stand watches on a regular basis, including CNO and Fleet Commanders-in-Chief intelligence plots.

- Supply Systems Command units participate in stock control, warehousing, traffic management, stock purification, materials identification, and other areas covering the entire spectrum of the Naval Supply Systems Command's tasks and responsibilities.

- Cargo Handling Battalions assisted active commands in movement of cargo for storage and load-out of deploying units.

One instance of support to the active Navy by Naval Reservists is particularly noteworthy. Recently, 135 Navy Selected Reservists were picked from over 850 volunteers to relieve regular crew members of USS NEW JERSEY so that those crew members could take holiday leave. Reserve C-9's provided the airlift for transporting both the Reservists and the regular crew members to and from USS NEW JERSEY. This program proved so successful that it will continue for two more rotational cycles, which we expect will involve more than 200 additional Selected Reservists.

FISCAL YEAR 1985

The program for the Naval Reserve in Fiscal Year 1985 is one of continued growth and modernization. It is based on our accomplishments to date and reflects the support of the Navy to ensure that the Naval Reserve becomes fully capable of performing its assigned missions and tasks. Our Fiscal Year 1985 program calls for increased Reserve personnel strength, accelerated force modernization and increased funding support.

Reserve Personnel Strength

The average paid drill strength requested for Fiscal Year 1985 is 105,688. This reflects an acceleration of phased growth to meet our Selected Reserve requirements, as validated by the Navy Manpower Mobilization System (NAMMOS). Our plan calls for reaching 110,000 of these Selected Reservists in Category A by the end of Fiscal Year 1985.

An essential part of our Selected Reserve growth plan is the new non prior service accession program, the Sea and Air Mariner, or SAM, which we introduced this year. Approximately 50% of our total enlisted requirement is for E4 or below personnel. The Naval Reserve has over 17,000 vacancies in this area today.

The SAM program offers a variety of initial skill training options. They include the traditional Navy "A" school, a program for split summer training for high school juniors and for seniors who are planning on college, and an advance pay grade program which gives credit for civilian acquired skills. Those personnel training for designated critical skills may receive either a $2,000 Enlistment Bonus or as much as $4,000 in Educational Assistance. All SAMs will attend Navy Basic Training and either "A" school or the Apprenticeship Training Program. It is important to note that twenty percent of the NAMMOS E4 and below billet requirements do not call for traditional Navy "A" school training.

The SAM program will not only enable us to fill many of our vacant positions for junior enlisted members in our ships, squadrons and medical support units, it will also add a new measure of vitality to the Naval Reserve.

Our planned accession level of new Sea and Air Mariners translates into an average strength of 3,303 during the year with an end strength of 2,640 in Training Category F.

A program for direct accession of officers into our Selected Reserve is under development for implementation in Fiscal Year 1985, as a method of resolving our junior officer shortages.

The planned strength of personnel in the Individual Mobilization Augmentee (IMA) program increases to an average strength of 659 and to an end strength of 750.

We are requesting an increase of 1,564 in the end strength of Reservists on full-time active duty (TARs) in support of the Naval Reserve growing to 15,410 by the end of Fiscal Year 1985. Part of this growth (180) is the result of a further identification of Reserve Program billets and the requirement to account for them in the Reserve Personnel, Navy (RPN) appropriation. The remaining 1,384 represent program growth and are required for transition to A-7E and SH-2F aircraft and manning improvements in other squadrons (213); the manning of the second two Oliver Hazard Perry class frigates (FFG-7's), less the manning associated with decommissioned Naval Reserve Force (NRF) ships (35); further expansion of our Shore Intermediate Maintenance Activities (SIMA's) (392); establishment of a Master Augment Unit and Squadron Augment Units (389); increases in aviation base operation and headquarters support, primarily for recruiting and processing support for the SAM program (286); and an associated increase in the transient account, plus intelligence program and headquarters support (69).

These various categories of Naval Reservists result in a Fiscal Year 1985 request for an average strength of 124,200, with a planned end strength of 128,800 as indicated in the following table:

NAVAL RESERVE STRENGTH REQUEST

	Average Strength	End Strength
Selected Reserve-CAT A (48 drills/2 weeks ACDUTRA)	105,688	110,000
Training Pipeline-CAT F (while on initial ACDUTRA only)	3,303	2,640
Individual Mobilization Augmentees-CAT D (2 weeks ACDUTRA only)	659	750
Full-time support Personnel (TARs and Section 265 recalls)	14,550	15,410
TOTAL	124,200	128,800

Force Structure and Equipment

Equipment Modernization

As Secretary Lehman has stated, the Naval Reserve must be capable of providing immediate augmentation to the active force in time of emergency across the entire spectrum of warfare. He also noted that "to implement that common sense policy requires providing the Reserves with equipment compatible with the active forces." I am pleased to report that the comprehensive modernization program for the Naval Reserve continues to accelerate.

The implementation of the NRF ASW Frigate Plan is on schedule. Six FF-1052 class frigates are already in the force, and the first of three FFG-7s programmed for this year, USS DUNCAN, was received on schedule in January. The Naval Reserve ASW force will continue to build until 8 FF-1052's and 16 FFG-7's are in the force in 1988. This program will probably be expanded to a 26 ship level by 1990. These ships will be augmented by SH-2F LAMPS MK 1 helicopter squadrons, the first of which will join the Reserve force in 1984. All NRF ASW ships will have Reserve SH-2F detachments assigned. A major portion of organizational and intermediate maintenance for these ASW ships will be provided by collocated Naval Reserve Shore Intermediate Maintenance Activities (SIMAs). We now have four of these facilities in operation with more to follow as homeporting plans are finalized.

The Naval Reserve Force currently comprises eighty-five percent of the total Navy Minesweeper (MSO) capability. As these older ships are decommissioned, they will be replaced in the NRF by new Mine Counter Measure (MCM) and Minesweeper Hunter (MSH) ships, both of which will have significantly increased capabilities.

The portion of our structure devoted to medical programs will expand significantly, since the mobilization requirements for Healing Arts personnel have increased from 4,500 in Fiscal Year 1982 to over 17,000 by the end of Fiscal Year 1985. These requirements are for backfilling Naval Hospitals as active duty staffs are reassigned to meet contingency requirements, and for supporting Fleet Hospitals, Fleet activities, and the Fourth Marine Division/Wing Team.

Transition training supporting the integration of the F/A-18 into the Naval Reserve is proceeding as scheduled. VFA-303, the initial squadron, was established in January 1984 and will continue to operate and maintain Fleet Readiness Squadron (FRS) aircraft until receiving their own in 1986. That same year, our second squadron, VFA-305 from NAS Point Mugu, California, will also be established.

The introduction of the A-7E into the Naval Reserve has been accelerated. The first squadron completed transition this year; a second squadron will transition next year. We are making every conceivable effort to replace our A-7B aircraft, which have been plagued by chronic engine problems.

Although the transition of the first squadron to the E-2C aircraft was not programmed until Fiscal Year 1984, the transition occurred in May of last year. The remaining squadron is programmed for transition in Fiscal Year 1988.

Our Reserve fighter force is also being modernized. The two remaining F-4N squadrons are in transition to the more capable F-4S. In Fiscal Year 1985, we will introduce the first F-14's into the Naval Air Reserve as replacements for the F-4S assigned to the other two fighter squadrons.

These improvements will permit our Reserve carrier air wings to operate the front line aircraft necessary to meet projected operational requirements in countering the emerging threat.

Although our carrier air wing modernization program does not yet provide for replacement of EA-6A (EW) or KA-3B (tanker) aircraft, or the introduction of the A-6E or S-3 aircraft into the Naval Reserve, the Navy is addressing these issues.

The SH-2F Lamps MK 1 is also on schedule, with the first squadron transitioning this year. The second squadron will follow in Fiscal Year 1985. A third squadron will be established in Fiscal Year 1986.

The TACNAVMOD program will upgrade the Naval Reserve P-3A/B Maritime Patrol aircraft to meet the ASW threat of the 1980's. We will have the 13 VP RESFORONs TACNAVMOD equipped by Fiscal Year 1986, an acceleration of more than a year over last year's plan. All 134 Reserve aircraft will be modified by the end of Fiscal Year 1987. To date, 61 modification kits have been procured for the Naval Reserve. Twenty-seven kits will be procured from Fiscal Year 1984 funds. The balance of the requirement will be met by the reassignment of already modified aircraft to the Naval Reserve from the active force by the end of Fiscal Year 1987.

The schedule for replacing the retiring C-118 aircraft with used commercial DC-9's has accelerated, primarily as the result of congressional support. Two DC-9's were procured last year. We are reviewing responses to our Request for Proposal (RFP) to procure two additional aircraft with the $14.1 million still available from funds provided by Congress for the Naval Reserve in the Guard and Reserve Equipment appropriation for Fiscal Year 1983. In addition, the Navy has released the RFP to solicit bids to procure eight additional used DC-9's with the $51 million provided by Congress in Fiscal Year 1984. The Aircraft Procurement, Navy (APN) appropriation includes $33.9 million to procure DC-9 aircraft, since the $51 million provided in Fiscal Year 1984 may not be sufficient in today's volatile used aircraft market. We plan to procure used aircraft by 1985, up to the required total of 10 DC-9's.

Major equipment shortfalls still remain in many areas of the Surface Reserve. The most significant areas are in the Mobile Construction Forces, Cargo Handling Battalions and Beach Groups. These shortages include major equipments such as earth moving equipment, trucks, trailers, weight handling equipment and a sizable shortage of tools, clothing, bedding, tents, etc. The Navy has an aggressive plan to address these shortages throughout the Five Year Defense Plan (FYDP). We still have some shortages of medical equipment. However, most requirements for Marine Corps support units were funded in Fiscal Years 1983 and 1984.

Fiscal Year 1985 Force Structure

The Naval Reserve is programmed to contain the following commissioned units by the end of Fiscal Year 1985:

- 32 Ships
  - 1 Destroyer (DD)
  - 11 Frigates (FF)
  - 17 Minesweepers (MSO)
  - 2 Tank Landing ships (LST)
  - 1 Salvage Ship (ARS)

- 4 Special Boat Units (numerous craft)
- 17 Mobile Inshore Undersea Warfare (MIUW) Units
- 17 Mobile Construction Battalions (MCB)
- 6 Cargo Handling Battalions (CHB)

- 52 Squadrons of Aircraft:
  - 2 Carrier Air Wings (CVWR)
    - 4 Fighter Squadrons (VF)
    - 1 Strike-Fighter Squadron (VFA)
    - 5 Attack Squadrons (VA)
    - 2 Light Photographic Squadrons (VFP)
    - 2 Carrier Airborne Early Warning Squadrons (VAW)
    - 2 Tactical Electronic Warfare Squadrons (VAQ)
    - 2 Aerial Refueling Squadrons (VAK)

  - 2 Patrol Wings (RESPATWINGS)
    - 13 Patrol Squadrons (VP)

  - 1 Helicopter Wing (HELWING RES)
    - 2 Helicopter Anti-submarine Squadrons (HS)
    - 2 Helicopter Anti-submarine Squadrons, Light (HSL)
    - 1 Helicopter Combat Support Squadrons (HC)
    - 2 Helicopter Attack (light) Squadrons (HAL)

  - 1 Fleet Logistics Support Wing (FLELOGSUPWING)
    - 12 Fleet Logistic Support Squadrons (VR)
    - 2 Fleet Composite Squadrons (VC)

The Naval Selected Reserve also has over twenty-five hundred Reinforcing and Sustaining units organized and trained to support the following Naval programs:

Submarine Forces
Mine Forces
Mobile Logistics Support Forces
Surface Combatant Forces
Air Forces
Construction Forces
Amphibious Forces
Marine Corps
Special Warfare Forces
Major Fleet/Force Commands
Unified/Joint Shore Commands
Support of Allies
Telecommunications
Security Group
Intelligence
Oceanography
Research
Shore Imtermediate Maintenance
  Activities
Military Sealift
Naval Control of Shipping
Bases and Stations
Naval Material Command
Air Systems
Electronics Systems
Facilities Engineering
Sea Systems
Civil Defense
Supply Systems
Merchant Marine
Medical
Training
Personnel Systems
Public Affairs
Law
Chaplain
Selective Service

NAVAL RESERVE FUNDING REQUEST

The Naval Reserve is supported primarily by two appropriations: Reserve Personnel, Navy (RPN) and Operation and Maintenance Navy Reserve (O&MNR). The President's Budget also requests over $70 million in the Aircraft Procurement, Navy (APN) appropriation to be used for procurement of used DC-9 aircraft and necessary modifications for Navy Reserve aircraft, plus more than $14 million in the Other Procurement, Navy (OPN) appropriation.

The OPN funds are earmarked for various support and training equipments including Shore Intermediate Maintenance Activities (SIMA) equipment, cryptological equipment, Civil Engineering Support Equipment, Shipboard Simulators (SBS's), and Damage Control Trainers (DCT's) to train our ship reinforcement units.

Further, the Military Construction, Naval Reserve (MCNR) Appropriation request of $60.8 million will provide much needed facilities construction, design, and land acquisition for the Naval and Marine Corps Reserve. The total support for the Naval Reserve exceeds $2 billion for Fiscal Year 1985.

I would like to discuss the Reserve Personnel, Navy and Operation and Maintenance, Navy Reserve appropriations in some detail.

Reserve Personnel, Navy

The Reserve Personnel, Navy (RPN) appropriation is divided into two budget activities. Budget Activity One provides funding for Unit and Individual Training. Budget Activity Two provides funding for Other Training and Support, including active duty TAR personnel, the Naval Reserve Officer Training Corps, Armed Forces Health Professions Scholarship program, and the Navy Junior Reserve Officer Training Corps. The total Fiscal Year 1985 RPN appropriation request is for $1,131.6 million, which consists of $588.2 million for Budget Activity One and $543.4 million for Budget Activity Two.

This funding request will support an average strength of 124,200 Naval Reservists in a paid status, including 14,550 full-time support personnel (TARs). This reflects an increase of $364.7 million over Fiscal Year 1984. Retired pay which, beginning with Fiscal Year 1985, will be accrued in each of the military personnel appropriations, accounts for $283.3 million. Additional costs associated with the 1 January 1984 pay raise are $9.9 million, and $3.0 million is for price escalation. Increased Variable Housing Allowance cost for full-time support personnel accounts for $2.7 million. Program growth is $65.8 million.

The average strength of the drilling Reserve will increase 6,946 and the average strength of full-time support personnel will increase 1,754. There is a thirty-three percent increase in number of annual active duty training periods allocated for members of the Individual Ready Reserve, and a ten percent increase in mandays for school and special active duty for training periods. Enlistment and reenlistment bonuses will increase $2.3 million, mostly for Sea and Air Mariners.

The requested increases will allow the Naval Reserve to comply with Congressional guidance to increase Reserve manning for Naval Reserve Force ships and to continue our growth in Selected Reserve strength to meet NAMMOS requirements.

Operation and Maintenance, Navy Reserve

The other major appropriation which supports the Naval Reserve is Operation and Maintenance, Navy Reserve (O&MNR). The Naval Reserve is dependent upon funds in this appropriation for support of mission forces, depot maintenance, and other support. Mission Forces includes funds for fuel, intermediate maintenance, repair parts and related support for the operation of aircraft in both the Naval and Marine Corps Reserve. It also includes operating and maintenance funds for Naval Reserve Force (NRF) ships. Depot Maintenance includes funds for the rework of aircraft and engines, the installation of aircraft modifications, and Contractor Engineering Technical Services support. Other Support provides funding to operate and maintain the Air Stations, Reserve Centers, and Reserve Facilities supporting Naval Reserve forces and for various command and administrative activities, including recruiting.

The funding requested for the O&MNR appropriation for Fiscal Year 1985 is $829.5 million, which is a $193.0 million net increase over the Fiscal Year 1984 funding level of $636.5 million. Mission Forces (Budget Activity 1) increases $104.3 million, Depot Maintenance (Budget Activity 2) increases $63.4 million and Other Support (Budget Activity 3) increases $25.3 million. Program growth is $138 million, $73.6 million of which results from the migration of aviation depot level repairables (AVDLRs) to customer funding.

The increased funding level will provide additional support for the following areas of significant growth: increased aircraft operating, maintenance and rework costs in support of a more modern mix of aircraft and the Squadron Augment Unit (SAU) program; increased operations, maintenance and modernization costs resulting from growth in the Naval Reserve Force ASW Frigate Program and a more costly mix of ship overhaul requirements; implementation of the mine countermeasures Craft of Opportunity (COOP) program; and increased training, equipment, and base operating support requirements concomitant with growing Selected Reserve strength levels as the Naval Reserve builds towards the Navy Manpower Mobilization System (NAMMOS) goal.

In addition, the O&MNR appropriation increases by $8.7 million to support Naval Reserve recruiting and advertising activities. Of that amount, $5.6 million represents a functional transfer from the O&MN appropriation to provide proper program visibility in light of the expanding role of the Naval Reserve, and the remainder is required to support increased recruiting efforts for the Sea and Air Mariner (SAM) program.

Although we increased our funding request for Real Property Maintenance by approximately $5.6 million, we will still not be able to meet the Congressional Containment Policy to limit the backlog of nondeferrable Maintenance and Repair to the Fiscal Year 1978 year-end level of $20.7 million.

The Naval Reserve Force (NRF) ship operating tempo of 14.7 days per quarter funded through O&MNR remains at parity with previous years. The Fiscal Year 1985 flying hour program is funded at 85 percent of the Primary Mission Readiness (PMR) level, an increase from the 83 percent in this year's program.

SUMMARY

There have been many improvements in the readiness and capabilities of the Naval Reserve in recent years. Our personnel strength is growing, training is improving, and the force is being modernized.

Our request for Fiscal Year 1985 supports accelerated progress in all these areas. Each proposed improvement will enable the Naval Reserve to become a more effective part of Navy's Total Force designed to meet the national strategy.

The Naval Reserve's contributions to this strategy are recognized fully by the Navy. The recent report to congress, "A report to the Congress on the Navy's Total Force", outlines these capabilities in some detail and provides a discussion of proposals which are under review to place additional capability in the Naval Reserve.

We are improving the Naval Reserve today to ensure it can meet the challenges of tomorrow.

I will be happy to respond to any questions or provide any additional information you may request.

Senator **Jepsen**. Thank you.

General Scheer?

STATEMENT OF BRIG. GEN. ROGER P. SCHEER, U.S. AIR FORCE, DEPUTY TO THE CHIEF OF THE AIR FORCE RESERVE

General **Scheer**. Thank you, Mr. Chairman. I am proud to say that the readiness of the Air Force Reserve is at an all-time high. All but three of our units are combat ready by active duty standards. The three that are not are presently undergoing weapon systems conversion.

We have brought on our new F-16 unit to replace the last 105's. In 1985 we will see the first C-5 unit in the Air Force Reserve.

As you probably know, as of now the Air Force Reserve supplies half of the air crews for all strategic airlift. That is C-141's and C-5's, KC-10's, but up until now we have not owned those aircraft.

Fiscal year 1985 will see the first unit equipped with strategic airlift.

Fiscal year 1983 was the sixth consecutive year that we met our manpower goals. We are well on our way to meeting the 1984 goal.

Our retention is at an all-time high. Our initial nonprior service enlistments were made up of 97 percent high school graduates or equivalents.

Not everything, obviously, is rosy. We have some equipment modifications that we would like to see. Our C-130A fleet which comprises 20 percent of the tactical airlift fleet is now approaching 27 years old. No hope is in sight short of the early nineties for replacement of that. At that time we are talking about a close to 34-year-old average fleet.

Modification of the older F-4's, we are actively working some very modest proposals in that area which will considerably increase the combat capability of that weapon system.

In short, Mr. Chairman, we are combat ready, we are currently satisfying our peacetime mission. No doubt we will be able, if called upon, to satisfy our wartime mission and we very much appreciate the support that we have received from you and your committee. I have been asked to submit General Gill's statement for the record.

Thank you.

[The prepared statement of General Gill follows:]

DEPARTMENT OF THE AIR FORCE

PRESENTATION TO THE SUBCOMMITTEE ON MANPOWER AND PERSONNEL
COMMITTEE ON ARMED SERVICES
UNITED STATES SENATE

STATEMENT OF: MAJOR GENERAL SLOAN R. GILL
Chief of Air Force Reserve
HQ USAF

Mr Chairman and Members of the Committee:

Thank you for the opportunity to appear before this committee to present Air Force Reserve manpower program for FY 1985.

It is with great pleasure that I report that the Air Force Reserve attained an end strength of 67,227 in FY 1983, exceeding its programmed end strength of 66,600. All of our units are well-manned and well-trained. All Reserve units can be mobilized in 24 hours and deployed within 72 hours. The keys to Reserve effectiveness have been, and continue to be, modern equipment, meaningful missions, our technician and Reserve personnel and the strong support of the active force. Overall, I believe the Air Force Reserve is stronger than it has ever been.

As of January 1984, all of our equipped flying units were combat ready with the exception of 3 units converting to newer aircraft. These units are:

C-130E unit converting from C-7As (Maxwell AFB)

F-4D unit converting from F-4Cs (Homestead AFB)

F-16 unit converting from F-105s (Hill AFB)

All six of our associate strategic airlift wings were combat ready, as were our two SAC Associate KC-10 units. Additionally, each of the three KC-135 tanker squadrons remains in combat ready status and has crews standing daily alert.

The Air Force Reserve will continue to pursue modernization of its airlift and fighter forces in FY 1985. This year we will establish our first equipped strategic airlift unit by converting our C-130B wing at Kelly AFB, Texas to C-5As. Placing C-5s in the Air Force Reserve will reduce their peacetime flying cost and extend their service life as we will fly them less than the active force would. We will provide 100% of the aircrews and maintenance personnel for these aircraft while continuing to supply 50% of the aircrews and 40% of the maintenance personnel for the C-141s and C-5s in the associate fleet. We are extremely pleased with the addition of the F-16 to replace the F-105s at Hill AFB, Utah and conversion of all of our F-4 units to the more capable D model. Though some inroads have been made in fighter modernization, our continued modernization depends on the procurement rates of new aircraft. Even at the programmed procurement level the Air Force Reserve is only programmed for two of approximately eighteen conversions for the Air Reserve Forces through FY 1989. Delayed modernization will dictate that our F-4D aircraft remain in the inventory much longer than desired. In this light, we are pursuing several desired modifications that are urgently needed to make these aircraft viable against the threat of the late 80s. The addition of the C-5 and F-16 to the Air Force Reserve's inventory and the phaseout of C-7s, F-4Cs, and F-105s by the end of this fiscal year are important milestones in ensuring the reserve forces have first-line equipment. On the airlift side, our program still does not fully address a replacement for the C-130A aircraft.

This problem is the same as it was last year except that now our C-130As are one year older. By the end of this fiscal year, the C-130A fleet will average 27 years of age and is still not scheduled for replacement until the 1990s. The current plan calls for the C-17 to replace active force C-141s and C-130s which in turn will be used to replace the older C-130As in the Reserve and Guard. This is a workable plan, but is obviously contingent upon the Air

Force procuring the C-17 in a timely manner. If the program is delayed, we will find ourselves with over 20 percent of the tactical airlift force aircraft exceeding 34 years of age, and no replacement aircraft available. To preclude this from happening, I urge the Congress to fully support the C-17 program to eliminate our existing aircraft shortfalls and provide replacements for our A model C-130s.

An important basis for our high level of readiness has been the Military Technician program. Military Technicians (MTs), also referred to as Air Reserve Technicians (ARTs), perform a unique role in our total military force. They are full-time employees of the Air Force Reserve and are employed to provide day-to-day management and training support of Selected Reserve units. As a condition of employment, MTs are required to meet both civil service and military hiring criteria and must maintain active Reserve status in the Selected Reserve. This dual aspect of civil service employee and active status Reservist is designed to attract and retain highly qualified individuals to the military technician program; to improve the mobilization readiness of Selected Reserve units by insuring continuity of service prior to, during, and after mobilization; and to guarantee the presence of these employees during an emergency. Because of the present mandatory separation and discharge provisions of sections 8848 and 8851, Title 10 USC, there are instances in which senior Reserve MTs are required to terminate their active status in the Reserve, even though they have not yet qualified for civil service retirement. Even though these persons are eligible for continued civil service employment, they are not eligible to be employed as Reserve technicians because they cannot meet the employment condition of active status in the Reserve. This condition presents a serious detriment to the Reserve program in that MTs who are separated from their military assignments, or who cease to hold the military grade specified for the position, must be continued indefinitely in the civil service position as "status quo". Those affected are not eligible to mobilize with their unit of assignment, yet they continue to encumber the full-time administration/training position.

In a conscientious effort to remedy the Air Force Reserve "status quo" problem, two actions involving proposed changes to legislation found in Title 5 and Title 10 USC have been initiated. Proposed changes to Sections 8335 and 8336, Title 5 USC, will permit the separation of "status quo" technicians as soon as they become eligible for an immediate retirement annuity. To assure MTs who lose their military status prior to attaining minimum age and service requirements for an immediate civil service annuity are maintained as military mobilization assets, a counterpart legislative proposal to Sections 8848 and 8851, Title 10 USC, was necessary. The proposed amendment to Title 10 will allow the Service Secretary to extend Reserve officer MTs to age 60, if necessary, in order that they remain as active military members until they achieve civil service retirement eligibility. The proposed amendments to existing legislation in both Title 5 and Title 10 will provide a combat ready technician force and at the same time offer fair and equitable treatment to the technician regarding tenure in his/her civil service capacity.

As Reservists train, they support requirements that would otherwise have to be fulfilled by active force resources. For example, in FY 1983, Reserve crews of equipped units airlifted 5,213 tons of cargo, flew 79,458 passengers and air dropped nearly 29,000 troops as part of their normal training missions. Additionally, Air Force Reserve associate C-141 and C-5 units flew more than 67,000 hours, and our associate aeromedical evacuation units flew 1,798 missions, airlifting 54,291 patients. We also share rotational duty in Panama with the Air National Guard in support of United States Southern Command with six C-130 aircraft and seven crews six months each year.

Reserve crews and support units routinely participate in JCS and MAJCOM field training exercises and deployments. During 1983, our units demonstrated their high state of readiness while participating in three major command sponsored operational competitions. Reserve C-141 associate units won the top three maintenance team awards in MAC's Volant Rodeo. In the SAC Bombing and Navigation competition, our KC-10 associate units placed first and second in the best aircrew competition and our KC-135 wing won the navigation trophy. In the TAC Gunsmoke competition, one of our A-10 fighter units placed second in the maintenance team competition and another placed second in the weapons loading competition. I am also proud to mention that Air Force Reserve C-141 and KC-10 Associate crews were among the first to fly missions in support of US military operations in Grenada while our C-130s took over CONUS missions to free active force C-130s for Grenada duty. The performance of these missions exemplifies the Total Force team in action.

Our Special Operations and Rescue Reservists continue to provide outstanding rescue support for launch and recovery of the Space Shuttle mission at Cape Canaveral, Florida. For the eighth consecutive year, our weather reconnaissance group flying out of Keesler AFB, Mississippi, accomplished more than 70 percent of all hurricane missions in the Gulf of Mexico, the Atlantic and the Caribbean; last year we tracked 8 hurricanes/storms. Additionally, the unit assisted the Guam based active weather unit in tracking three separate storms in the Hawaiian Island area.

In FY 1983, Air Force Reserve rescue and recovery units flew 82 search and rescue missions and 14 Military Assistance for Safety and Traffic (MAST) missions, and were officially credited with saving 40 lives. During this period, the Civil Air Patrol (CAP) flew 1,547 search and rescue missions accounting for 115 lives saved. The Air Force Reserve continued to provide valuable assistance and advice for CAP activities such as cadet encampments, aerospace education workshops, and a wide variety of other special activities, such as disaster exercises.

To expand communications security capabilities both in peacetime and wartime, two Air Force Reserve Electronic Security Squadrons have been formed.

One squadron is located at Brooks AFB, Texas, and the other at Offutt AFB, Nebraska. These units provide surveillance support in communications monitoring, analysis, reporting and survey.

A Reserve Basic Military Training Squadron was established in 1983. This unit at Lackland AFB, Texas provides military training instructors to support the basic training surge during mobilization. The 46th Tactical Fighter Training School (TFTS) was formed last year and performs pilot upgrade training in A-10 aircraft at Barksdale AFB, Louisiana, for the Air Force Reserve, Air National Guard, and active force personnel.

Only through our people's dedication to the role of citizen-airman and the support they receive from their families, their communities and the active Air Force can we accomplish our primary mission of training for mobilization. Our Reservists' talent, personal sacrifice and dedication to mission accomplishment were again proven during the many exercises and deployments such as Cold Fire 83 and Reforger 83. Air Force Reserve participation in the evacuation of wounded Marines after the bombing in Beirut and the airlift missions flown in support of Grenada, exemplify the ability of non-mobilized Reservists to support contingency operations. Additionally in 1983, Reserve airlift units on training flights, successfully assisted the US Coast Guard with drug enforcement activities, which resulted in the seizure of two vessels and 57 tons of marijuana.

In the area of combat support and mission support activities, there are nearly 400 Air Force Reserve support units. Many of these units, as part of their training activities, provide considerable peacetime accomplishments which assist in keeping the peacetime expenditure of the Total Force to a minimum. The Air Force Reserve provides 100 percent of the Air Forces' Medical Service Squadrons, 64 percent of the aeromedical evacuation units and 25 percent of the Air Forces' Tactical Hospitals and Clinics. Currently, Reservists contribute almost 60 percent of the aircraft battle damage repair capability with personnel in six Air Force Logistics Command gained Combat Logistics Support Squadrons. Also, the Air Force Reserve provides approximately 20 percent of the Air Force civil engineering force and equipment and 50 percent of the Aerial Port Squadrons. The majority of our programmed build from FY 1984 to FY 1985 is in the Civil Engineering force followed by Medical Service Squadrons.

In addition to our unit program, the Air Force has a successful program to provide trained Individual Mobilization Augmentees (IMAs) to active force units upon mobilization. IMA requirements are identified by grade and skill as part of the annual wartime manpower planning process of the Air Force. IMAs are members of the Selected Reserve and are assigned to specific positions established in active force organizations and are trained and supervised by the active force.

Reservists assigned to IMA positions are fully qualified in their Air Force specialties. As a result, these Reservists in fields as diverse as medical, legal, research engineering, maintenance and intelligence are able to assist with the day-to-day mission of their organizations while they are on inactive duty and active duty training periods. For example, some of the physicians performing physical examinations or prescribing medication on a typical Air Force base are IMAs performing their monthly or annual training. As another example, IMAs in the intelligence field are producing standardized critical area intelligence summaries for postulated missions into selected countries. These summaries cover data on geography, population, weather, military capability, and lines of communication. In addition, intelligence IMAs support the Airborne Warning and Control System by analyzing electronic counter-measure systems against the E-3A Sentry aircraft.

We already have attained our FY 1984 programmed strength of 11,232 IMAs in Pay Groups A, B and D. Category A Reservists are authorized 48 inactive duty training periods per year plus a 15-day active duty tour. Category B

Reservists are authorized 24 inactive duty training periods per year, plus a 12-14 day active duty tour while Category D Reservists are authorized a 14-day active duty tour. For FY 1985, we are requesting a strength of 11,973. The total Air Force requirement for approximately 20,348 wartime IMA positions is indicative of the importance attached to this program. For the past few years, we have been working toward increased manning of these positions consistent with our ability to fund the program. This year we are placing added emphasis on recruiting IMAs, including the use of bonuses in selected enlisted skills.

Concerning overall manning, I mentioned earlier the very favorable manning posture the Air Force Reserve has achieved and maintained. We started FY 1983 with 64,443 people and ended the year with an on-board strength of 67,227, a net increase of 2,784 people. We increased the quality of our force as evidenced by the fact that 97 percent of all non-prior service enlistments were high school graduates or equivalent. This was a 7 percent increase over FY 1980. Our unit commanders and supervisors at all levels have taken an active recruiting role. With their enthusiasm and hard work, combined with the excellent performance of our recruiting force, and a continued command emphasis on retention, we fully expect to meet our FY 84 programmed end strengths.

As in the past years, the recruitment and retention of qualified personnel in critical skill areas continues to be difficult. It is in these areas that we will continue to concentrate our incentive program to better recognize the economic realities of recruiting and retaining highly skilled personnel. The programs authorized by Congress for this purpose will allow the USAFR to improve operational efficiency and have a meaningful effect on recruiting and retention. With these resources, we will be able to attract prior service people who have already received extensive training and experience in the critical skills we require.

Before closing, I want to express my appreciation for the interest shown by this Committee in the availability of readiness equipment for our Reserve forces. Because of a special Congressional allocation of two million dollars in FY 83, the overall rate for Chemical Warfare Defense Equipment (CWDE) bags, with the exception of aircrew protective headgear, is projected to be above 90% in 1984. Equally important to our Reserve men and women is the message it conveys of the support of Congress for their dedication and efforts.

In summary, while the war-fighting and readiness role of the Air Force Reserve continues to be an important element within the Total Force, we will continue to modernize our equipment, refine and improve our mobilization procedures, and recruit, train and retain the people needed to assure we are able and ready to fight at any time.

This concludes my statement, Mr Chairman. I will be glad to respond to questions.

TABLE I

DEPARTMENT OF THE AIR FORCE

AIR FORCE RESERVE PERSONNEL

	FY 83 (ACTUAL)		FY 84		FY 85		FY 86	
	END	AVERAGE	END	AVERAGE	END	AVERAGE	END	AVERAGE
FLYING UNITS	33,492	32,884	34,123	33,728	36,160	35,062	36,785	36,527
MISSION SUPPORT UNITS	20,408	19,440	22,011	21,471	24,096	23,655	27,196	26,453
INDIVIDUALS	11,113	10,504	11,232	11,052	11,973	11,738	12,693	12,358
STATUTORY TOURS	184	176	216	206	289	289	295	295
RECRUITERS	281	282	301	301	314	314	328	325
NON-PRIOR SERVICE ENLISTED PROGRAM	1,505	1,202	1,625	1,470	1,625	1,470	1,625	1,470
NON-PRIOR SERVICE ENLISTED PERSONNEL AWAITING TRAINING WITH PAY	244	317	372	372	372	372	372	372
TOTAL SELECTED RESERVE	67,227	64,805	69,880	68,600	74,829	72,900	79,294	77,800

TABLE II

DEPARTMENT OF THE AIR FORCE

AIR FORCE RESERVE FORCE STRUCTURE, FLYING UNITS

	END OF FISCAL YEAR		
	1983	1984	1985
EQUIPPED UNITS			
C-5 Strategic Airlift	0	0	1
C-130 Tactical Airlift	14	15	15
C-7 Tactical Airlift	1	0	0
Aerospace Rescue & Recovery	4	4	3
WC-130 Air Weather Service	1	1	1
CH-3E Special Operations Force	1	1	1
AC-130 Special Operations Force	1	1	1
KC-135 Strategic Refueling Tanker	3	3	3
F-4 Tactical Fighter	5	5	5
F-16 Tactical Fighter	0	1	1
F-105 Tactical Fighter	1	0	0
A-10 Tactical Fighter	5	5	5
Total Equipped Units	36	36	36
ASSOCIATE UNITS			
C-141 Strategic Airlift	13	13	13
C-5 Strategic Airlift	4	4	4
C-9 Aeromedical Evacuation	1	1	1
KC-10A Tanker Cargo	2	2	2
Total Associate Units	20	20	20
TOTAL UNITS	56	56	56

* Includes an aerial spray detachment of three UC-123K aircraft.

TABLE III

DEPARTMENT OF THE AIR FORCE

AIR FORCE RESERVE FORCE STRUCTURE, MISSION SUPPORT UNITS

	END OF FISCAL YEARS		
	1983	1984	1985
Combat Logistics Support Squadrons	6	6	6
Aeromedical Evacuation Squadrons/Flights	21	21	21
Medical Service Units	16	17	18
Aerial Port Squadrons	57	62	66
Civil Engineering Squadrons/Flights	37	42	45
Civil Engineering Squadron (Heavy Repair)	1	1	1
Communications Security Squadrons	1	2	2
Basic Military Training Squadron	1	1	1
Numbered Air Forces (Reserve)	3	3	3
TOTAL	143	155	163

Senator JEPSEN. General Conaway, Director of the Air National Guard.

STATEMENT OF MAJ. GEN. JOHN B. CONAWAY, U.S. AIR FORCE, DIRECTOR OF THE AIR NATIONAL GUARD

General CONAWAY. Thank you, Mr. Chairman and members of the committee.

It is a pleasure to appear before you. I appreciate the strong support this committee has given to enhancing the readiness and sustainability of the Air National Guard.

Today we stand at our highest state of readiness, our highest strength at 102,000 personnel. Fiscal year 1983 was the fifth straight year that we have met our end strength. We are programmed for 104,000 this year.

As we appear before you, the Air Force has asked us to accept missions that will take us to almost 108,000 personnel in the Air National Guard next year.

We cannot do this without the current incentive program that you have authorized and has been appropriated for us, enlistment bonus, reenlistment bonus and educational benefits which I think are going to be even more important as we have a smaller pool to draw from in the next few years as the Guard and Reserve are increasing in size.

We are going to 117,000 personnel in fiscal year 1989 in the Air National Guard.

We, too, have received some new equipment, F-15's, and our second F-16 unit. We have the same C-130 problem that the Air Force Reserve has.

Reengining our KC-135, the Boeing 707, with the JT-3D engines has been helpful.

I might add, Mr. Chairman, just a couple weeks ago, I was in Iowa visiting the Des Moines and Sioux City units, visited Gerald Gilbert and the Adj. Gen. Dudley Smidt, the new wing commander at Des Moines. They are doing very well with their A-7's and looking for some enhancement.

We are working on those aircraft. They continue to be a frontline aircraft that we are going to need for the rest of this decade. They are planning to make a deployment to Europe later this year that I think will be an outstanding one.

I visited them a couple years ago in the United Kingdom. It is an outstanding wing and they did an excellent job.

Senator Exon, I was at the Lincoln unit also.

Senator Exon. I am delighted to hear that.

General Conaway. They have done an outstanding job. Colonel Bertrand and the women and men at Lincoln are excellent.

Three reconnaissance units were selected to be robusted—increased is what we mean by that—from 18 to 24 primary aircraft.

We have given them authorization to go ahead and start recruiting, leading them to be ready in 1985. By doing what we did, taking three reconnaissance units and robusting them from 18 to 24 aircraft versus going out and building new reconnaissance units, in some States saved the Federal Government $15 to $20 million and kept the combat capability there. This is the type of thing we have done.

In summary, sir, I appreciate the support of this committee. We definitely need the full-time personnel we have. We have a growth of 1,300, most of that in AGR.

Our technician program remains stable. We need the full-time manning force so that we can continue to carry out the increased missions that the Air Force has asked us to do.

[The prepared statement of General Conaway follows:]

PREPARED STATEMENT OF MAJ. GEN. JOHN B. CONAWAY, DIRECTOR, AIR NATIONAL GUARD, U.S. AIR FORCE

AIR NATIONAL GUARD

INTRODUCTION

The Air Guard is at its highest readiness level in history and has attained a new high in manning with over 102,000 men and women deeply committed to performance of both a State and Federal mission.

The State mission of the Air National Guard is to provide organized, trained, and equipped units to respond to orders of State authorities, to protect life and property, and preserve peace, order, and public safety. During 1983, the Air National Guard was called up 51 times involving 2,263 workdays to provide assistance to civil authorities in various emergency and support operations. This represents a 34% increase in workdays over the previous year. Of these call-ups, 34 were in support of the National Search and Rescue Service and involved 394 workdays. The remaining 17 call-ups were in support of civil authorities and involved 1,8C9 workdays. These missions were conducted in support of search and rescue, medical evacuations, security, snow/ice storms, floods, power outages, forest fires, and earthquakes.

The Air National Guard's Federal mission, as part of the total Air Force, is to provide units of properly equipped and trained personnel for prompt mobilization whenever called upon in time of crisis. Our units also perform designated Air Force missions during peacetime, primarily as a by-product of training.

The Air Guard is manned and ready to carry out this dual mission. It is our belief that strength through readiness is the key to success.

The readiness of our flying units continues to remain high despite increased taskings and conversions to new and more complex weapon systems. Military manning was 102,170 at the end of FY 83 and is projected to approximate 104,100 by the end of

FY 84 and 107,900 by the end of FY 85. The Air Guard flies more than 1,600 aircraft in a variety of demanding missions ranging from Air Defense and Tactical Fighter and Airlift to Strategic Air Refueling and Rescue and Recovery. We participate as full partners with the active Air Force and the Air Force Reserve in carrying out these missions assigned by our civilian leadership.

In summary, the Air Guard is proud of its combat readiness, manning accomplishments, humanitarian assistance, and significant role in today's total Air Force.

FLYING UNITS

FORCE STRUCTURE

Air National Guard flying units are organized into 24 wings, 67 groups, and 91 flying squadrons. The continued strong support of the active Air Force is permitting us to replace older, less capable aircraft with more modern and sophisticated weapon systems.

Modernization of ANG units has continued at a modest pace as evidenced in the FY 1985 Public Announcement of force changes. Our first F-16 unit is combat ready and we have announced the first F-15 conversion for the Air Guard in FY 1986. Future programs continue these modernization efforts. However, I must emphasize two considerations when you review our modernization efforts. Future conversions are programmed conversions which depend on programmed procurement rates. Modernization of the Air Force in general and the Air National Guard in particular depends heavily on your support of these procurement rates.

In FY85, the ANG will continue its modernization efforts in most major mission areas. One Tactical Air Support unit will convert from 0-2As to C-19s and assume a strategic airlift mission. This unit will also be the backup carrier for the Space Shuttle. One Tactical Fighter unit (F-4C) will expand from 18 to 24 primary aircraft authorized, and two F-4C/D training units will expand from 12 to 18 and 44 to 50 primary aircraft authorized respectively. In the Tactical Reconnaissance mission area, three RF-4C units will robust from 18 to 24 primary aircraft authorized. Finally, two Tactical Airlift units will change series from the C-130A/Ds to C-130Hs and one Air Refueling unit will change from KC-135As to KC-135Es.

By the end of FY 84, 12 of the 13 Air National Guard KC-135 units will be equipped with or in retrofit for the JT-3D engine. The JT-3D engine provides our KC-135s with increased thrust and offload capability, an increased combat capability, and a significant reduction in noise and emissions.

As a result of these modernization efforts, Air National Guard flying units continue to make a substantial contribution to the total Air Force combat capability and will fulfill a large portion of force commitment during any future, serious crisis. In FY 85, the Air National Guard will possess 68 percent of the total Air Force Air Defense Interceptor forces; 51 percent of Tactical Reconnaissance forces; 33 percent of Tactical Airlift forces; 25 percent of Tactical Fighter forces; 16 percent of Aerial Refueling forces; 14 percent of Rescue and Recovery forces; 15 percent of Electronic Combat forces; 28 percent of Tactical Air Support forces; and 1 percent of Strategic Airlift forces. In addition, 15 Air Guard flying units are tasked in Central Command's (CENTCOM) plans.

The continuing emphasis on modernization and readiness has resulted in adjustment of the organization precedence ratings for all Air National Guard units to equal levels with comparable Air Force units. This is in consonance with Department of Defense policies and places the Air National Guard on an equal footing in the DOD Logistics System with its active counterparts.

TRAINING

Our flying units make significant contributions to the Air Force as a by-product of realistic training. We participate as full partners with other components in overseas deployments, JCS and USAF training exercises, and Air Guard sponsored Composite Force Training exercises.

Our overseas deployments temporarily move entire flying units to theater locations along witn ground support personnel, civil engineering, tactical control, and combat communication units. Such deployments furnish the Guard with realistic and valuable theater specific training.

The Air National Guard has tested several deployment concepts in order to validate wartime capabilities and maximize training per dollar spent. For example, we recognize air refueling assets will be extremely limited during wartime. Therefore, in FY83 the Air National Guard successfully executed an island hopping deployment of 24 A-7s from Ohio to Europe which eliminated the requirement for any air refueling.

By initiating a policy of joint deployments whenever possible, we save dollars and increase unit exposure to this valuable overseas training. On a joint deployment, two or more units deploy together and share support equipment, thereby minimizing airlift costs.

In the Southern Command region, the Air Guard maintains four A-7s on station at all times in defense of the Panama Canal, supported by ANG KC-135s. We also maintain two Aircraft Control and Warning Radars in defense of Puerto Rico, and we support airlift requirements throughout Central and South America with six C-130 aircraft.

The Air National Guard also supports the Army in exercises throughout the world. Joint training programs, such as the National Training Center at Fort Irwin, California, provide joint training experience for both the Army and the Air National Guard.

To further the ANG fighting capability and familiarize our Air Guard personnel with joint operations, Composite Force Training exercises are conducted throughout the year. These exercises are sponsored and planned by ANG flying units, ANG Permanent Field Training Facilities, and active Air Force units. These exercises encompass all mission areas of the Air Guard and are developed for the specific purpose of providing realistic training for all participants.

In the Pacific Theater, our F-4 aircraft and support personnel from Hawaii participated in Pacific Air Forces exercise Team Spirit 83 in Korea. In addition, Air Guard KC-135 units supported the Strategic Air Command Pacific Tanker Task Force in Guam and Cope Thunder in the Philippines.

In Alaska, our RF-4s have provided photo support for exercises. During the latter part of FY84, over 40 percent of the KC-135 assets to the Alaska Tanker Task Force will be provided by the Air Guard.

To further illustrate the Air National Guard's global readiness and the realistic training received, tactical fighters and reconnaissance units deployed to Germany, Turkey, England and Iceland during FY83. Air Guard KC-135 tankers, participating in the European Tanker Task Force, supported European air refueling requirements.

Such a high degree of operational readiness demonstrates that the Air National Guard, when equipped with modern aircraft and equipment, is a full Total Force partner in the front-line of our defense forces.

MISSION SUPPORT UNITS

FORCE STRUCTURE

Equally important to the success of the Air National Guard mission are our mission support units. There are 248 independent units heavily concentrated in the areas of fixed communications, combat communications, weather, tactical control, engineering installation, civil engineering, medical and air base ground defense.

Base communications flights provide fixed communications support to our flying units. These units operate and maintain the base fixed and tactical telephone systems, base communications centers, ground-to-air radios, intrabase radios, HF radios and base cable plants. Many of these flights also have separate deployable elements which support SAC, MAC and TAC at alternate recovery bases in the CONUS and at collocated operating bases (COBs) in Europe. Eight additional flights are to be activated in FY84 in support of ADTAC gained Air Guard flying units.

Our 51 combat communications units are equipped and staffed to support the Tactical Air Forces. They provide specific communications service to forward deployed commanders and provide restoral service to the Defense Communications System. They are also equipped to provide terminal air traffic control facilities and services. As of the end of FY83, 15 combat communications units are tasked in CENTCOM plans.

The Air Guard has 39 weather flights and one weather squadron, most of which provide weather support to Army Guard and Reserve units. We do have one weather flight tasked to support the Air Force Tactical Weather System. Weather units train with the Army units which they are tasked to support.

Our 31 tactical control units operate control and reporting centers and posts in addition to providing forward air control posts. All units have wartime taskings and quick response deployment schedules. All except three of these units now possess the new TPS-43E Radar, and the remaining three units will receive this radar in FY84. The two new air support radar teams added in FY82 became operational in FY83. Each unit is equipped with new TPB-1C tactical radars.

We also have three aircraft control and warning squadrons which provide 24 hour per day air surveillance radar coverage for Hawaii and Puerto Rico. In FY84, a fully automated Regional Operational Control Center will be operational in Hawaii and will be operated and maintained by Air Guard personnel.

We recently activated a unit to provide equipment and/or personnel augmentation to the Joint Communications Support Element. The mission of this unit is to assist during contingency military operations or disaster relief and evacuation activities.

Our engineering installation squadrons (EIS) are equipped and trained to engineer, install, relocate, remove, restore and accomplish on-site depot level maintenance on radars, antennas, cable plants, radios, and teletype and communications centers. They maintain proficiency by augmenting the Active Air Force on communications-electronics-meteorological (CEM) facility requirements worldwide.

Our civil engineering flights are equipped to undertake construction, alteration and repair projects to sharpen their skills for their wartime mission as well as completing urgently needed projects for their host bases (either active Air Force or National Guard). The recently established PRIME RIBS (readiness in base service) teams currently make up 28% of the total wartime tasked Food Service and Base Services personnel.

The Air Guard Medical Service supports our 91 flying units and readiness requirements of the Air Force Medical Service. Additionally, there are nine aeromedical evacuation units. The medical units consist of 26 to 50 personnel depending on the size of the flying unit supported. The aeromedical evacuation units are programmed to support MAC during tactical aeromedical evacuation scenarios. There are seven flights consisting of twelve crews each and two squadrons consisting of 25 crews each.

We have formed two dedicated Air Base Defense Flights and one Squadron Headquarters. They are the first of these units and the Air Force program calls for us to have 69 flights and squadron headquarters. These Air Base Defense flights will protect overseas essential wartime facilities from enemy ground attack.

Like their flying unit counterparts, our mission support units contribute heavily to total Air Force combat capability. In FY84, the Air Guard will possess 70 percent of the Air Force combat communications forces, 12 percent of the weather reporting and forecasting forces, and 30 percent of the aircraft control and warning forces.

TRAINING

I have talked about the significant contributions our flying units make as a by-product of training. Our mission support units have also made impressive strides in this area. In the past three years, our combat communications units have deployed approximately 1,400 personnel to Europe, Honduras, Egypt and Korea in support of major exercises.

Our Tactical Control Units train at their home stations by controlling Active and Air Guard fighter aircraft and by system-wide simulated exercises. As with combat communications, these units also play a major role in JCS exercises. Most noteworthy was the deployment of two flights of personnel to Italy and Denmark in support of a USAFE/NATO exercise. This was the second deployment of a CONUS-based Air Guard tactical control unit to Europe.

Two of our engineering/installation units deployed to Europe in June 1983 and performed successfully under simulated wartime conditions. An Air Guard unit also won the FY83 Air Force Communications Command "SHOOTOUT" competition. "SHOOTOUT" is a series of competitive taskings undertaken by Air Guard and Active Air Force units.

Our civil engineering units also participated in JCS European exercises and performed validation surveys of Air Force European and host nation base complexes. They identified assets, requirements and deficiencies for use by wartime planners.

Our PRIME RIBS teams have supported Air Force requirements with deployments to Air and Army National Guard and Air Force bases in the United States as well as locations in Europe and Korea.

READINESS

I am proud to report to this committee that combat readiness and capability to perform the wartime mission of the Air National Guard was again successfully demonstrated in 1983 by Air National Guard units during Air Force Operational Readiness Inspections (ORIs). These inspections were conducted under realistic wartime scenarios with the majority of Air National Guard units receiving these inspections while at deployed locations. This deployed concept has continued to expand to now include Air Guard combat communication units. Since the inception of the realistic training scenario in 1976, Air National Guard units have materially enhanced their capability and readiness.

MANPOWER

The Air Guard achieved a military end strength of 102,170 in FY83. This is the highest level ever achieved by the Guard, and it is the fifth consecutive fiscal year that programmed end strength levels have been exceeded.

The Air Guard's FY84 end strength program is 98,189 drill strength and 5,915 AGR (Active Guard/Reserve) for a total of 104,104 with an average strength of 103,400. In FY 85, we have programmed 100,666 drill strength and 7,224 AGR for a total end strength of 107,890 and an average strength of 106,200. This strength level supports approximately 99 percent of the Air Guard's projected wartime requirements.

Although the Air Guard has consistently exceeded programmed strength levels, many critical skills remain below acceptable levels. At the end of FY 83, 52 percent of our vacancies were in hard-to-fill areas such as aircraft maintenance, munitions systems, aircraft armament, and security police. Additionally, the Air Guard has projected growth of over 14 percent through FY 89. Of this growth, 35 percent will be in such critical skills as aerial port, Red Horse (civil engineering), aeromedical, and air base defense. We expect to continue to meet our strength goals but anticipate a greater challenge as our strength levels increase and the recruitable age population decreases.

The Air Guard's recruiting program uses a precision recruiting approach, which keynotes recruiting for existing or projected critical skill vacancies. The overall responsibility for recruiting rests with the respective State or territory. The addition of a full-time retention force has paid off as losses again declined last year. We continue to focus on recruiting rated officers, medical officers, minorities and women. In fact, the percentage of women and minorities in the Air Guard increased again in FY 83 for the third consecutive year. The continuation of recruiting and retention as co-equal programs has aided the Air Guard in meeting its end strength objectives as well as furthering our progress in reducing critical skill vacancies.

In FY 83, the Air Guard exceeded its combined military technician and full-time military active duty (Active Guard/Reserve) end strengths. We expect to fully meet our FY 84 end strength programs which are 1,238 higher than FY 83.

The number of military technicians will remain constant through FY 84 and FY 85. However, we have programmed 1,309 additional AGR positions in FY 85 to fill increased requirements associated with aircraft, equipment, and other support requirements of the Air Guard.

We will continue to evaluate our future manpower needs and anticipate that future budgets will contain a mix of technician/AGR growth based on cost effectiveness and increased combat readiness to more appropriately man the many mission responsibilities of the Air National Guard.

SUMMARY

The Air National Guard has proven to be an integral part of the Total Force. The Air Guard exists to support U.S. foreign policy and national security objectives, while providing a State militia uniquely qualified for local disaster and public safety missions. Our responsibilities are truly global, national, and local, and each offers its own set of challenges for the future.

The Air National Guard is ready to meet these challenges. The capability of our citizen airmen to respond to the most demanding wartime missions is a matter of record. We appreciate the continuing strong support of the Congress. That support has permitted the Air National Guard to continue modernization and to make significant progress toward our goal of strength through readiness.

Mr. Chairman, this concludes my prepared statement. I will be happy to respond to any questions you may have.

Senator JEPSEN. General Olmstead?

STATEMENT OF MAJ. GEN. STEPHEN G. OLMSTEAD, U.S. MARINE CORPS, DEPUTY CHIEF OF STAFF FOR RESERVE AFFAIRS

General OLMSTEAD. Thank you, Mr. Chairman.

I also appreciate the opportunity to testify today.

I have a few remarks. The first remark is appreciation for what you and the committee have done for the Marine Corps Reserve.

The Marine Corps Reserve is really part of the total force which is the Marine Corps. We have been enjoying a renaissance in recent years.

If one were to look at the triad which makes up readiness, which I know is the committee's great concern, we first look at the leg of manpower and we see by any criteria we are doing very well.

We have 93 percent high school graduates in the Marine Corps Reserve today. When we look at the more negative indicator, the number of people who are in the category IV mental groups, we are now bringing in less than 1 percent. As a matter of fact, so far this fiscal year we have brought a total of three such people into the Marine Corps Reserve.

Those indicators I think are very upbeat for us.

We are meeting our end strength. We are confident that by 1986, we will have the total wartime strength which we are required to have in the Marine Corps Reserve.

Manpower looks good, sir. Training, I find to be exciting. In training, we are doing more imaginative things. We are doing things that we would require our Reserve to do if they were mobilized and called back to active duty.

Today there is a landing on Taechon-ni, Korea, that almost 400 Marine reservists are participating in.

Over the weekend there was a landing in the Tromso area of Norway. For the first time a Marine Reserve battalion participated.

We are not only excited by the Marines having this type of training, but it shows confidence in their capability by the Marine Corps.

As far as evaluations go on readiness, we have our regular Marine Corps battalion testing to see if they are ready, the same one that the Active Forces use. Ninety percent of units tested met that. Ninety-three percent of the units called up in the past year for mobilization tests were ready to go in the 48 hours required.

The training is realistic. Training is the most attractive thing right now for our young recruits coming in.

Equipmentwise, Marine Corps Reserve units have 94 percent of their training allowances in their home training centers. We are bringing in new equipment, through a program of horizontal integration equipment, in the Marine Corps Reserve a pace of what the regular Marines are getting.

When the regular marines get the new rifle, the Reserves will get it. We are also getting the new Howitzer. We participate as full partners in the LAV program as that equipment comes into the Marine Corps.

Just this past fall the Reserve got the KC-130T aircraft which the Regulars do not have yet. We are full partners in any acquisition of materials in the Reserve.

If I were to look at manpower training and equipping, I think we are moving down the right track toward getting our Reserves what they need.

I am very pleased to have the opportunity to talk to you today and welcome any questions you might have, sir.

[The prepared statement of General Olmstead follows:]

PREPARED STATEMENT OF MAJ. GEN. STEPHEN G. OLMSTEAD, U.S. MARINE CORPS, DEPUTY CHIEF OF STAFF FOR RESERVE AFFAIRS

Mr. Chairman, distinguished members of the Committee:

It is a distinct privilege to report today, both to the Congress and the American People, that confidence in the United States Marine Corps Reserve is well founded. Strong, through the dedication and professionalism of Marines; capable, through the concept of "total force", and the continuing support of Congress; the Marine Corps Reserve is a program vastly improved over that of the decade past, and enthusiastic in the anticipation of a bright future.

Initiatives originating in the early years of this decade are bearing intended results. The dynamics of growth and equipment modernization are producing a revitalized force, as units become more capable. Confidence in individual reservists and their commanders is now also evidenced in Marine Corps total force planning, which finds reserve units assuming real world contingency missions for the first time. The early 1980's have been years of renaissance, and enthusiasm is justified in the result thus far. This momentum must continue.

PERSPECTIVE

"Total Force" and the Role of the Reserve

The reserve component has a vital role in the Marine "total force". It provides a necessary capability for rapid force expansion at a time of crisis. Fully trained and equipped units along with qualified individuals must stand ready to provide critical combat resources upon mobilization. As a result of the Corps' total force policies and attention to the problems involved with mobilization, this reserve role is executable today. Improved capabilities are planned for the future.

The concept of "total force" is not new. Over the years it has become ingrained in the Corps' decision making mechanisms. The Marine Corps Capabilities Plan, and policy directives as early as 1977, laid the foundation for total force planning by stipulating likely reserve employment roles. Specifically, the Selected Marine Corps Reserve (SMCR), comprised primarily of units from the Fourth Division/Wing Team, will provide:

- Trained units to selectively augment the active forces in order to field three MAFs at full wartime structure.

- Trained units to reinforce the active forces.

- An Amphibious Brigade (MAB) or, if augmentation/reinforcement is not ordered, a full Division/Wing Team (DWT).

- A nucleus to reconstitute a DWT.

In order for the Reserve to be capable of executing these missions, a "total force" planning system must exist. Planners, with an understanding of component roles, and an acute awareness of Marine Corps requirements for a standing force, create the best possible active/reserve "force mix" within operational and budgetary constraints. This process begins with annual preparation of planning documents, such as the Mid-Range Objectives Plan (MMROP), the Capabilities Plan (MCP), and the Mobilization Management Plan (MPLAN). Aligned with national defense objectives, these documents respond to requirements developed by operational planners at the CINC level. With this basis, the Department of Defense's Planning, Programming, and Budgeting System (PPBS) then lends fiscal reality to the planning. Viewed in its entirety, this regimen is a system of program competition, attrition, development, and reflection. It is a dynamic, methodical, decision making "discipline" which is complex, yet mechanically straightforward and effective. The active/reserve "force mix" existing today, and the Marine Corps' plans for the future are a direct result of this process.

Organization and Contributions

The vitality and importance of reserve programs is evident in an examination of the Ready Reserve and its contributions to the total force. Most commonly identified with the term "Reserve" are drilling Marines of the SMCR. This force is comprised of approximately 43,000 Marines, a majority of whom belong to a Division/Wing Team. These reservists train and will be deployed in units which "mirror" their active counterparts. Additionally, drilling reservists also serve as Individual Mobilization Augmentees. These Marines train in preassigned mobilization billets in the active supporting establishment, and are crucial to the success of mobilization efforts.

While the Selected Reserve responds to the need for trained units, the primary source of trained individuals is the Individual Ready Reserve (IRR). This group consists primarily of prior service personnel with obligated service remaining. Some of these individuals are preassigned to critical mobilization billets. Others will be assigned to enable Marine Corps units to deploy with their full wartime strength. Through an effective mobilization process, the Corps has the ability to rapidly assimilate the skill and experience of these individuals into the total force.

The Reserves represent one-fourth of the structure and one-third of the manpower in the Total Marine Force. While this, in itself, represents a major impact, further identification of reserve contributions in specific areas is even more instructive. For example, 40% of the tanks, 33% of the heavy artillery, 30% of light attack aviation, and 33% of the anti-aircraft missile capability are in the reserve structure. Additional contributions are listed in the following table:

TABLE I

RESERVE TOTAL FORCE CONTRIBUTIONS

40%	TANKS
33%	HEAVY ARTILLERY
40%	BEACH/PORT OPNS CAPABILITY
25%	BULK FUEL HANDLING CAPABILITY
67%	FORCE RECON CAPABILITY
100%	CIVIL AFFAIRS CAPABILITY
30%	LIGHT ATTACK AVIATION
14%	HELICOPTERS
24%	OBSERVATION AIRCRAFT
33%	LAAM CAPABILITY
25%	FAAD CAPABILITY

As the Marine Corps must change in response to requirements, so must its Reserve. Programs evolve with an analysis of the threat, the development of new tactics, and the employment of new combat systems. An examination of these programs and their applications within the Marine Corps Reserve finds that they are well conceived.

STATUS OF PROGRAMS

Budget

A significant factor in the improved outlook for Reserve programs is improved funding. During a three year period from 1980 to 1983, the two Marine Corps Reserve appropriations increased by nearly 90%. By comparison, from 1977 to 1980 these appropriations grew by only 31.8%. Predictably, funding profiles paralleled the tempo of change. With added dollars significant advancement toward mobilization and combat readiness goals has been made. The ultimate achievement of these goals is dependent upon maintaining the programmed funding levels.

The FY 1985 Reserve Budget Request of $328.1 million will support both enhancement initiatives and an SMCR end strength of 46,447 (44,300 average strength). This funding represents 3.7% of the overall Marine Corps budget, and an average real growth of 10%. The Revised FY 1984 amount of $231.9 million contains supplemental funding of $3.4 million (RPMC) and $0.2 million (O&MMCR) to fund the military and civilian pay raise that became effective on 1 January 1984.

TABLE II

FUNDING COMPARISION - FY-84/FY-85

RESERVE APPROPRIATION	REVISED FY 1984	BUDGET REQ FY 1985
Reserve Personnel, Marine Corps (RPMC)	$179.6M	$269.5M
Operation & Maintenance Marine Corps Reserve (O&MMCR)	52.3M	58.6M
TOTAL	$231.9M	$328.1M

Within the FY 1985 RPMC budget, $189.9 million is programmed to support pay and allowances, subsistence, clothing and operational travel for units and individuals during drills and annual training. School and special tour requirements are supported with $79.6 million, which also funds the Full Time Support (FTS) Program, Incentives Program, Platoon Leaders Course, and the Junior Reserve Officers Training Corps. The RPMC increase of $89.9 over FY 1984 was necessitated by the addition of retired pay accrual ($65.2M) to the budget, and planned end-strength increases within the SMCR and FTS programs. These added reservists are required to support new units, new equipment, and restructuring within the Fourth Division Wing Team.

For operations and maintenance, the FY 1985 O&MMCR Budget Request of $58.6 million supports program requirements in training, organization, and administration. Included in this amount is $5.2 million required to support increased strength, additional NBC equipment, body armor, and equipment transportation requirements.

Adequate funding levels are a critical factor in the advancement toward reserve manpower, equipment, and combat readiness goals. Continuing Congressional support is solicited in maintaining the momentum.

Manpower

The heart of the Marine Corps Reserve is its manpower. Professionally trained, skilled and well educated, these "Citizen Marines" are highly motivated to accomplish their mission. Manpower programs initiated at the beginning of this decade to increase the size and improve the quality of personnel in the Marine Corps Reserve are meeting their objectives. At the end of FY 1983, SMCR strength was 42,690, a growth of 2,229 over FY 1982. The current program calls for a FY 1985 end strength of

46,447. From the beginning of the decade, SMCR strength has increased 28% or 9,334 individuals, and further growth is attainable. Because of their continuing interest and support, Congress shares in this success.

Quality of the SMCR has improved in spite of rapid growth. Through careful planning and execution the Marine Corps Reserve is successfully recruiting individuals possessing high educational and mental qualifications. In FY 1983, 94% of the non-prior service accessions were high school graduates versus only 76% in FY 1980. This percentage is increasing as a result of Marine Corps Recruiting Service initiatives. Overall, 93% of SMCR personnel are now high school graduates. The quality recruiting effort is also exemplified by mental group IV enlistments which have declined 59% since FY 1981, while mental group I enlistments have increased nearly 17%.

The Marine Corps Reserve has launched an effort to improve skill match within units. Operational only since February 1983, the Reserve Prior Service Recruiting Force has been given a mission targeted to ensure only those individuals with the proper grade and skill are enlisted. Optimism that they will meet this goal numerically in small and geographically fixed markets has proved to be well founded. An analysis at the end of FY 1983 showed that 89% of the prior service individuals enlisted met grade and MOS requirements. The remaining individuals were of such high caliber that it was considered in the best interests of the Marine Corps Reserve to acquire their talent and then retrain them in a needed skill. Pinpointing within each SMCR unit the rank and skill required, the Recruiting Service achieved a 78% match for Fourth Marine Division requirements from March through September, 1983. Notwithstanding an even more detailed plan this year, a 99% match for the first quarter of FY 1984 was achieved.

While the identification and mobilization of proper MOS skills is vital within the SMCR, it is also one of the factors involved with proper management of the IRR. The Marine Corps Reserve Support Center (MCRSC) located in Overland Park, Kansas, responds to this need. This organization is responsible for over 113,000 individuals which includes members of the IRR, the Standby Reserve, the Retired Reserve, and the Fleet Marine Corps Reserve. Additionally, present plans will require MCRSC to assume management, for mobilization purposes, of 87,000 regular retired personnel beginning in FY 1985.

MCRSC is a key institution in the mobilization process, and it is continuing to improve capabilities through office automation and extensive use of automated data processes. A major advancement in this area will occur this fiscal year with the installation of an "in-house" computer. This is a manpower management milestone achieved directly through the funding support of Congress.

Full Time Support

Reserve Full Time Support (FTS) is a program which also contributes significantly to accomplishment of the Reserve mission. Highly qualified Marine reservists return to active duty for 1 to 4 year periods specifically in support of the Reserve. These personnel prepare and administer MCR policies, and assist in recruiting, organizing, instructing, and training members of the reserve component. The program also has an effect similar to our Formal Schools Programs, in that it helps to further the professional development of individual reservists. The Reserve FTS program has expanded from 67 individuals in FY 1980 to 801 in FY 1984. Now assigned to eighteen major commands, FTS strength is plannned to reach 1129 by the end of FY 1985. This program and the continued dedication of these highly professional reservists will be major factors in the success of many structure and combat readiness initiatives.

Material and Logistics

While manpower programs are of extreme importance, on today's "high-tech", fast moving battlefront, a highly trained Marine may be only as capable as his equipment. Reserve equipment profiles must keep pace with requirements, and procurement for the Reserve is a vital portion of the Marine Corps' "total inventory objective". This objective ensures that equipment requirements for active and reserve units are determined in concert. Attention is applied to achieving and maintaining an equipment inventory which provides "state of the art" employment capability, supportability, interoperability, and sustainability for the entire force.

During the past year, the Reserve has continued to improve its equipment posture. Although full wartime requirements have not yet been achieved, 94% of the standard combat equipment required for training is now onhand. Reserve units today are capable of accomplishing their primary mission of producing trained units and qualified individuals for duty in time of national emergency.

Modernization of equipment in the reserve component is facilitated by the Marine Corps' "single acquisition objective". As a result of this mechanism, equipment upgrading within an SMCR unit corresponds to that of its active counterpart. Modern equipment is extremely important in the Reserve. It influences recruiting and retention of personnel, in addition to upgrading overall unit capabilities. Some examples of SMCR equipment modernization are listed in Table III.

TABLE III
EQUIPMENT MODERNIZATION

PRESENT EQUIPMENT	NEW EQUIPMENT	FIELDING
M19 60MM Mortar	M224 Lightweight 60MM Mortar	FY 83
AN/MRC-123/124 Radio	AN/MRC-138 Radio Set	FY 83
AN/PRC-47 Radio Set	AN/PRC-104 Radio Set	FY 83
M60A1 Tank	M60A1 RISE/Passive Tank	FY 84
LVT7A1 Landing Veh	LVT7A1 Product Improvement	FY 84
M16A1 Rifle	M16A2 Rifle	FY 84
M880/M886/M893 Light Cargo Truck	CUCV Truck Cargo, Ambulance and Utility	FY 84
M44 Series 2 1/2T M39 Series 5T	Retrofitted 5 Ton/M900 Series	FY 84
M151 Jeep, M561 Gama Goat, M72 & M718A1 Ambulance, M101 & M416 1/4T Cargo Trailors	HMMWV Truck, Cargo, Ambulance, Armament, and Shelter Carrier	FY 85
M16A1 Auto Rifle	M249MG, Squad Auto Wpn (SAW)	FY 85
No present system	M2 MG, Cal 50	FY 85
No present system	Motorcycle, Utility	FY 85
No present system	MK-19 MG 40MM	FY 85

TABLE III (CONT)

PRESENT EQUIPMENT	NEW EQUIPMENT	FIELDING
M123 10T Tractor Truck and Trailers	Logistics Vehicle System (LVS)	FY 85
M202 Rocket Launcher	Shoulder Launched Multipurpose Assault Weapon (SMAW)	FY 86
Nonstandard Shelters	Marine Corps Expeditionary Shelter System (MCESS)	FY 87

Reserve units hold only that amount of equipment needed to train and maintain proficiency. The remainder of their full wartime equipment requirement is to be stocked at the Marine Corps Logistics Bases for issue upon mobilization. These stocks are not yet adequate to satisfy the total SMCR requirement. Current programs will essentially eliminate this shortage in both active and reserve components by FY 1988. In this effort, FY 1984 and FY 1985 Marine Corps procurement funds for the Reserve have been allocated as shown in the Table that follows.

TABLE IV

PROCUREMENT FUNDS BY COMMODITY AREA

BUDGET ACTIVITY	FY 1984	FY 1985
2-Weapons and tracked combat Vehicles	$4.9M	$137.3M
4-Communications and electronics	21.7M	23.7M
5-Support vehicles	34.5M	62.8M
6-Engineer and other equipment	9.5M	12.9M
TOTAL	$70.6M	$236.7M

STRUCTURE MODERNIZATION AND ENHANCEMENT

Ground Force

Equipment modernization, force expansion, and the development of improved employment concepts have mandated certain structure changes within the Fourth Marine Division and Force Service Support Group. Two additional Civil Affairs Groups will be activated in the Division, one this fiscal year and the other in FY 1985. Upon their activation, the reserve component's three Civil Affairs Groups will represent the Marine Corps entire capability in this area. Another significant change will occur within infantry regiments during FY 1985. Battalions will be reorganized and re-equipped to mirror their changing active counterparts. When this is complete, the fire power of each infantry battalion will have increased, yet the structure will have decreased by 83 enlisted men. Other structure enhancements for FY 1985 include activations of a second Air-Naval Gunfire Liaison Company (ANGLICO), two Salvage Platoons, and one Bridge Platoon. The two Reserve ANGLICO's will constitute 67% of the Corps total capability, while the additional salvage and bridge platoons will provide needed enhancements in combat service support.

Continuing the momentum beyond the budget year, plans call for a substantial change in artillery organization and equipment. Reserve Direct Support Artillery Battalions will begin reorganizing in FY 1986 for receipt of the M198 155mm towed howitzer, thus acquiring an increase in firepower. It is anticipated that the structure transition will be completed in FY 1988, with delivery of the M198 Howitzer scheduled for completion in FY 1989. An additional Sensor Control and Management Platoon is sought in FY 1986. An LAV Battalion will be structured in the Reserve in concert with active force LAV initiatives. Of four

TOW Platoons to be activated in FY 1987, one platoon completes the Anti-Tank Company within the 4th Tank Battalion, while each of the others will enhance an infantry regiment with a superior anti-tank capability. Finally, during FY 1988 the Reserve artillery regiment will acquire an essential Target Acquisition Battery.

Aviation Modernization and Enhancement

While it is possible for reserve ground modernization to essentially parallel active force development, the high cost of aircraft and related systems dictates a more prudent approach to reserve aviation programming. Nevertheless, enhanced air combat capabilities within the Reserve Air Wing are of the utmost importance. There is concern over aircraft shortages in the Aerial Refueler Squadron (KC-130), and Attack Helicopter Squadron (AH-1). Aircraft models being flown in the Fourth Marine Aircraft Wing are aging and in need of upgrade. In response, the Marine Corps has developed a long range Aviation Master Plan which addresses the requirements of Marine Aviation in its entirety. The success of this plan is dependent on continued Congressional support of both active and reserve programs.

The transfer of more advanced aircraft models to the Reserve as active squadrons acquire new aircraft is characteristic of this plan. It responds to the requirement for equipping the "first to fight", while ensuring that reserve units are flying the best available aircraft. Reserve fixed wing squadrons are programmed to upgrade to the F-4S and A-4M over the next four years. In the early '90s, when active fighter squadrons have completed transitioning to the F/A-18, reserve units are to follow suit. The Observation Squadron and Heavy Lift Helicopter Squadron will upgrade aircraft to the OV-10D and CH-53D respectively. Simultaneously with the CH-53 upgrade in FY 1992, one of two reserve CH-46 squadrons will transition from Medium (HMM) to Heavy lift missions (HMH). This will result in the fielding of two CH-53 squadrons and an overall increase in reserve lift capability.

Aircraft shortages in the AH-1 and KC-130 squadrons are being addressed. First, the Marine Aviation Master Plan calls for filling the reserve AH-1 Squadron in FY 1988. This unit currently has 8 of their 24 plane requirement. The change parallels increases in the active force and represents major improvement in the Corps' critically short Attack Helicopter capability. Secondly, benefiting from Congressional foresight in FY 1982, the Reserve Wing recently took delivery of four new KC-130T aircraft. These are the first new planes ever delivered to a Marine Reserve Squadron. FY 1983 and FY 1984 appropriations have also funded a total of four additional KC-130 aircraft toward satisfying this critical shortage.

Through equipment modernization and aggressive training, reserve squadrons are demonstrating dramatically improved readiness. Unit commanders now achieve their flight hour programs and call for more. Training with active forces is increasingly pursued and performance is impressive. The fact that three reserve squadrons are now supporting contingency missions is a tribute to, and representative of the dedication, professionalism and ability of the entire Wing. Mobilization plans depend heavily on this reserve capability, and the Marine Corps will continue to ensure its strength.

MOBILIZATION AND OPERATIONAL READINESS

Mobilization

The ability to successfully execute Marine Corps missions during a world wide crisis situation requires a responsive mobilization process. Since exercise Nifty Nugget in 1978, mobilization has been the subject of increased attention, and marked improvement has been achieved in establishing viable procedures and refining the system. During subsequent JCS level mobilization exercises, actual movement of Marine Reserve units and individuals in timely response to CINC requirements has been successfully tested. Unit level response has been improved by "no-notice" Mobilization Operational Readiness Deployment Tests (MORDT) which now ensure a complete understanding of the mobilization process.

In addition to improving unit mobilization, advancements have been made in the process of assimilating pretrained individuals. Current plans call for 45% to 55% of the Individual Ready Reserve to report to active duty within the first 30 days of mobilization. The ability to assimilate this surge in manpower has been advanced by initiatives in the Marine Corps Reserve Support Center described previously. Facilitating MCRSC efforts, the processing structure has been improved by preassigning certain qualified reservists in the IRR to critical mobilization billets.

While the process has improved, a difficulty remains which is deserving of Congressional review. It is the inability of services to obtain Individual Ready Reserve home addresses which are held by other government agencies. Since the availability of these reservists is required early on, accurate addresses are a key for timely notification. Numerous internal actions have reduced inaccuracies. Further improvement, however, requires access to data resources external to the Department of Defense.

Readiness

The "readiness" of men and their equipment is a time honored Marine tradition. Though it is a prime objective of the active force, one must accept nothing less of the Reserve. It is gratifying to report that the Corps' reserve component is as ready today as at any time in history.

Quality training with modern equipment is the primary factor. Current focus is on an increase in reserve participation in active exercises, and in FY 1983 approximately 17,000 reservists trained in 14 major exercises. Participation will increase to almost 25,000 Reserve Marines in an equivalent number of exercises this year. This training improves readiness and tactical proficiency. In FY 1983, testing of reserve units in the demanding Marine Corps Combat Readiness and Evaluation System (MCCRES) found 90% to be Combat Ready. This tactical expertise is complemented with a high state of mobilization readiness, verified by the fact that 93% of the units tested in "no-notice" Mobilization Operational Readiness Deployment Tests (MORDT) in FY 1983 were found to be Ready. These are dramatic changes in direction which have justified the tremendous support for Reserve programs within the Marine Corps and the Congress.

CONCLUSION

The Marine Corps Reserve is a vital force. It is established in total force planning as a reserve in the "classic sense"; ready and available, trained and capable of providing the margin of victory at a time of crisis. Crucial pretrained manpower and combat systems await the call to duty. Though their capability is much improved, the momentum must continue. Dollar requirements are great, but the stakes are high. In a battle for the national defense, Marines fighting side by side will be neither active nor reserve, but rather, the finest total combat force America can produce. The Corps is confident that, with Congressional support, and in the high tradition of Marine history, the Reserve will be ready.

Senator **Jepsen**. Thank you, General.

Admiral Irwin, Chief of the Office of the Coast Guard Reserve.

STATEMENT OF REAR ADM. JAMES C. IRWIN, U.S. COAST GUARD, CHIEF OF THE OFFICE OF THE COAST GUARD RESERVE

Admiral **Irwin**. Thank you very much, Mr. Chairman.

I believe it is obvious today that we are last, from our numbers we are probably least. I would like to assure you that we are no less ready than the other services. I have just two or three items I would like to discuss very quickly.

First, I would like to say that I am most pleased that our Secretary Dole has recommended and the President has requested an increase of 500 in the Coast Guard this year. This is the first such request in about 15 years for an increase in our Reserves. We are very pleased.

I also would like to give you a little bit of feel as to how this force mix might affect the Coast Guard. The last several months I have been rather involved in this study as a Coast Guard member on the Reserve Forces Policy Board Committee looking at force mix chaired by General Teater.

I have also looked at it from the Coast Guard standpoint.

I feel confident in saying that one should not expect to obtain any decreases in active duty strength in the Coast Guard by increasing our Reserve.

I feel confident also that the members of the Reserve Forces Policy Board would support that statement. There is a reason for this.

The Coast Guard is fully occupied in peacetime jobs day to day. Our active duty force is based on what it takes to complete these peacetime missions.

The Reserve Force is based on our wartime missions and what the Active Forces can do in wartime.

There are a couple exceptions. There are just no jobs in the Coast Guard that we have found the Reserve to do more cheaply than the active duty. I don't mean to say that our Reserves don't contribute; they do.

I think that each year somewhere between 1½ million to 2 million hours of productive time is performed by our Reserves in completing our active duty mission, but it does not replace the Active duty; it just helps them during seasonal or peak workloads.

It also reduces some of the rather long hours that the Active duty are standing down now.

The third point, just to brief you on the item that Senator Kennedy brought up as far as readiness of our people and ability to get hold of them, we feel confident that if we were mobilized tomorrow, we could get easily 95 percent of our Selected Reserves. There is no question about it.

These people walk around 24 hours, throughout the day, with a set of orders in their pocket telling them exactly where to go.

Thank you, sir.

[The prepared statement of Amiral Irwin follows:]

Prepared Statement of Rear Adm. James C. Irwin, Chief, Office of Reserve, U.S. Coast Guard

MR. CHAIRMAN, MEMBERS OF THE SUBCOMMITTEE, I AM REAR ADMIRAL JAMES C. IRWIN, CHIEF, OFFICE OF RESERVE, UNITED STATES COAST GUARD. THANK YOU FOR THE OPPORTUNITY TO APPEAR BEFORE YOU TODAY IN BEHALF OF THE COAST GUARD'S SELECTED RESERVE STRENGTH AUTHORIZATION REQUEST FOR FISCAL YEAR 1985.

THE LEGISLATION BEFORE THIS SUBCOMMITTEE PROPOSES AN AVERAGE ANNUAL STRENGTH OF 12,500 COAST GUARD SELECTED RESERVE IN FISCAL YEAR 1985. THIS REPRESENTS AN INCREASE OF 500 OVER THE CURRENT YEAR. PROPERLY TRAINED AND ORGANIZED OUR SELECTED RESERVE COMPONENTS ARE THE ONLY FORCES AVAILABLE FOR IMMEDIATE EXPANSION UPON MOBILIZATION.

FROM 1975 THROUGH 1981 OUR AUTHORIZED STRENGTH WAS SET AT 11,700. IN 1982 THIS SUBCOMMITTEE INCREASED THE NUMBER TO 12,000. WHILE A COMPARATIVELY SMALL INCREASE IN NUMBERS, IT WAS VIEWED AS AN INCREMENTAL STEP TOWARD AN IMPROVED EARLY MOBILIZATION POSTURE. THE 1983 AND 1984 AUTHORIZED STRENGTH REMAINED AT 12,000. SOME PROBLEMS IN RECRUITING KEPT US FROM ACTUALLY ATTAINING THE FULL INCREASE IN STRENGTH IN FISCAL YEAR 1982, BUT THESE WERE LARGELY OVERCOME TOWARD THE END OF FISCAL YEAR 1983. IN FACT, FOR FISCAL YEAR 1983, WE ATTAINED AN END STRENGTH OF 12,156 OR 101 PERCENT OF THE MINIMUM AUTHORIZED STRENGTH LEVEL. SO FAR IN FISCAL YEAR 1984, IT LOOKS AS THOUGH WE WILL BE ABLE TO MAINTAIN THESE LEVELS.

COAST GUARD MISSION ASSIGNMENTS IN THE EVENT OF WAR OR NATIONAL EMERGENCY STEM FROM TWO MAJOR INTEGRALLY RELATED SOURCES: STATUTORY MISSIONS AND JCS/NAVY TASKING. THE STATUTORY MISSIONS ASSIGNED TO COAST GUARD BY LAW INCLUDE PORT SAFETY AND SECURITY, SEARCH AND RESCUE, AIDS TO NAVIGATION, MERCHANT MARINE SAFETY, AND MARITIME LAW ENFORCEMENT. MOST OF THESE WOULD CONTINUE IN WARTIME, SOME AT INCREASED AND SOME AT DECREASED LEVELS. SOME, SUCH AS PORT SECURITY, WOULD EXPAND DRAMATICALLY IN WARTIME BECAUSE OF THE NEED TO PROTECT THE NATION'S PORTS AND WATERWAYS AND INSURE THE NECESSARY THROUGHPUT OF CRITICAL CARGOES.

THE SECOND SOURCE OF MAJOR WARTIME MISSION ASSIGNMENTS RESULTS FROM WAR PLAN TASKING DEVELOPED BY THE JOINT CHIEFS OF STAFF AND ASSIGNED TO THE UNITED STATES NAVY. THE NAVY, IN TURN, REASSIGNS CERTAIN OF THESE TASKS OR PORTIONS THEREOF TO THE COAST GUARD. THESE INCLUDE COASTAL AND HIGH SEAS SEARCH AND RESCUE, ANTI-SUBMARINE WARFARE AT SEA, AND SUPPORT FOR SUCH HARBOR DEFENSE ACTIVITIES AS SURVEILLANCE AND INTERDICTION, AND INSHORE UNDERSEA WARFARE. IN COMBINATION WITH PORT SECURITY, THESE TASKINGS PLACE THE COAST GUARD RESERVE IN A CRITICAL ROLE IN SUPPORT OF THE STRATEGIC MOBILITY OF DEPLOYING MILITARY FORCES AND THEIR SUSTAINING LOGISTICS SUPPORT WHICH MUST TRAVEL BY SEA. IT THEN FALLS TO THE COAST GUARD TO DETERMINE THE NUMBER OF PERSONNEL REQUIRED TO MEET THESE READINESS REQUIREMENTS.

WHILE WE ARE PRESENTLY IN THE PROCESS OF REVISING PLANS AND UPDATING CURRENT REQUIREMENTS, THE BASIS OF OUR CURRENT NEEDS IS A 1965 STUDY, REVALIDATED IN 1974. AT THIS TIME OUR READY RESERVE STRENGTH IS 17,000. THIS INCLUDES 12,000 IN OUR SELECTED RESERVE AND 5,000 IN THE INDIVIDUAL READY RESERVE (IRR). GIVEN PROJECTED RESPONSE FIGURES OF 95 PERCENT AND 70 PERCENT FOR THE SELECTED RESERVE AND IRR, RESPECTIVELY, IT IS

ANTICIPATED THAT APPROXIMATELY 15,000 COAST GUARD READY RESERVISTS WOULD RESPOND.

THE RECORDS OF THIS SUBCOMMITTEE ARE FILLED WITH INFORMATION ON THE ROLES AND MISSIONS OF THE COAST GUARD RESERVE. THEREFORE, I WILL NOT BELABOR YOU WITH THESE DETAILS. I ASK ONLY THAT YOU ENVISION THE TREMENDOUS INCREASE OF ACTIVITY IN OUR MAJOR PORTS OF EMBARKATION, WHEN, UPON MOBILIZATION, THE MASSIVE FLOW OF PEOPLE AND SUPPLIES TOWARD THE FORWARD OPERATING AREAS BEGINS. ALSO, THE SAFE FLOW THROUGH OUR PORT SYSTEMS OF CRITICAL RAW MATERIALS AND FINISHED PRODUCTS THAT ARE NECESSARY TO SUSTAIN OUR NATIONAL ECONOMY AND THOSE OF OUR ALLIES WILL ASSUME INCREASING IMPORTANCE. AS YOU CONSIDER THE MANY PROBLEMS THAT WILL ARISE YOU SHOULD BE AWARE THAT THE ONLY SERVICE COMPONENT WITH A FORCE SPECIFICALLY TRAINED IN PORT SECURITY IS THE COAST GUARD. IN FACT, OVER 75 PERCENT OF THE COAST GUARD RESERVE AUTHORIZED STRENGTH IS DEDICATED TO THE PORT SECURITY MISSION.

THE COAST GUARD RESERVE IS ORGANIZED INTO UNITS, WHICH ARE FURTHER COMBINED INTO GROUPS, TO SUPPORT MOBILIZATION READINESS AND TO FACILITATE TRAINING AND ADMINISTRATION. WHERE POSSIBLE, OUR RESERVE GROUPS AND UNITS ARE COLLOCATED WITH THE ACTIVE UNITS TO WHICH THEY WOULD REPORT UPON MOBILIZATION. IN THIS WAY RESERVISTS TRAIN ALONGSIDE REGULAR COAST GUARDSMEN, USING REGULAR COAST GUARD EQUIPMENT, ACCOMPLISHING COAST GUARD PEACETIME MISSIONS. THIS FACET OF OUR PROGRAM, WHICH APPROACHES 65 PERCENT OF OUR TRAINING TIME, IS CALLED "AUGMENTATION TRAINING".

AUGMENTATION TRAINING, THE ACTUAL PERFORMANCE OF COAST GUARD DUTIES, IS ONE OF THE BEST MEASURES OF COAST GUARD RESERVE

READINESS. AS IN FY82 AND 83 COAST GUARD RESERVISTS WILL, IN FY84, DEVOTE ABOUT 1,700,000 HOURS TO ACCOMPLISHMENT OF COAST GUARD PEACETIME MISSIONS AS A PART OF THEIR TRAINING FOR MOBILIZATION. THEIR SUCCESSFUL PARTICIPATION IN THIS "ON-THE-JOB TRAINING" IN FUNCTIONS SUCH AS SMALL BOAT OPERATIONS, SEARCH AND RESCUE OPERATIONS, AND PORT SAFETY AND SECURITY INSPECTIONS IN PART SHOWS THEIR STATE OF READINESS. THE INCREASED NUMBER OF SELECTED RESERVISTS REQUESTED IN THIS AUTHORIZATION SHOULD RESULT IN A COMMENSURATE INCREASE IN THE NUMBER OF HOURS THAT WILL BE PERFORMED ON AUGMENTATION TRAINING IN FUTURE YEARS: ONCE THE NEW PERSONNEL COMPLETE THEIR INITIAL TRAINING IN COAST GUARD SKILLS AND FUNCTIONS.

HOWEVER, NOTWITHSTANDING THE INCREASED HOURS AVAILABLE FROM OUR INCREASED FORCE SIZE, WE ARE BEGINNING TO RECOGNIZE SOME LIMITATIONS ON THE AVAILABILITY OF RESERVISTS FOR AUGMENTATION ACTIVITY. AS A RESULT, WE HAVE FOUND IT PRUDENT TO REORIENT "SOME" EMPHASIS TO MOBILIZATION TRAINING. THIS WAS DUE TO A NUMBER OF FACTORS:

(1) SOME SPECIFIC MOBILIZATION SKILLS, NOT ROUTINELY AVAILABLE DURING AUGMENTATION TRAINING, HAVE BECOME THE OBJECTIVE OF OUR FORMAL TRAINING PROGRAMS (e.g. EXPLOSIVE LOADING SUPERVISION, SMALL ARMS TRAINING AND FIREFIGHTING);

(2) THE ACTIVE DUTY COAST GUARD HAS INCREASED ITS EMPHASIS ON MOBILIZATION READINESS, RESULTING IN AN INCREASED TEMPO IN READINESS PLANNING AND MOBILIZATION EXERCISES; AND

(3) CHANGING OPERATING PROFILES IN SOME OPERATING MISSION AREAS, PARTICULARLY BOATING SAFETY AND MARINE SAFETY, HAVE REDUCED AUGMENTATION TRAINING OPPORTUNITIES CREATING CHANGES IN

LOCAL UNIT OPERATIONS.

THE RESULTING INCREASED PARTICIPATION IN READINESS EXERCISES IS THE MOST SIGNIFICANT MILESTONE FOR TRAINING AND IMPROVEMENT IN MILITARY READINESS IN RECENT YEARS. IN FY81 WE ESTABLISHED A GOAL OF HAVING 25 PERCENT OF OUR SELECTED RESERVISTS PARTICIPATE IN AN EXERCISE EACH YEAR. THIS GOAL WAS REACHED IN FYS 82 AND 83. INDICATIONS ARE THAT WE WILL BE EQUALLY SUCCESSFUL IN FY84. THE NATURE OF THESE EXERCISES IS ALSO IMPORTANT. NOT ONLY DO THEY FAMILIARIZE RESERVISTS WITH THEIR MOBILIZATION SITES, BUT MANY DEVELOP INTERSERVICE COOPERATION THROUGH JOINT SERVICE EXERCISES SUCH AS REFORGER AND SOLID SHIELD.

IN MANAGING THE CONTINUING AUGMENTATION TRAINING PROGRAM, THE COAST GUARD IS CONSTANTLY ALERT TO OPPORTUNITIES TO EMPLOY COAST GUARD RESERVISTS TO ASSIST OR EVEN SUBSTITUTE--ON A SHORT TERM BASIS--FOR ACTIVE DUTY PERSONNEL IN PERFORMANCE OF THEIR ONGOING PEACETIME MISSIONS. SEVERAL EXAMPLES ARE CITED BELOW.

THE COAST GUARD RESERVE HAS CONTINUED TO MAKE SIGNIFICANT CONTRIBUTIONS TO THE SUCCESSFUL COMPLETION OF COAST GUARD MISSIONS EACH YEAR. IN FISCAL YEAR 1983 OUR MIDWEST DISTRICTS PROVIDED OVER 300 RESERVIST-DAYS OF SUPPORT TO FLOOD RELIEF. IN FLORIDA, OVER 900 RESERVIST-DAYS WERE USED TO PROVIDE SAFETY AND SECURITY ZONES FOR NASA'S SPACE SHUTTLE LAUNCHES AND TO ASSIST IN RECOVERY OF THE ROCKET BOOSTERS. OUR THREE "SUMMER-ONLY" SEARCH AND RESCUE STATIONS IN THE GREAT LAKES ARE OPERATED EACH YEAR BY RESERVISTS CALLED FROM ALL PARTS OF THE COUNTRY TO MEET THE SURGE OF PLEASURE BOATERS. THESE STATIONS PREVENT THE LOSS OF MILLIONS OF DOLLARS OF PROPERTY AND SAVE SEVERAL LIVES

EACH YEAR. IN ADDITION TO THESE SPECIFIC EXAMPLES, RESERVISTS CONTINUE THE PROGRAM OF AUGMENTING ACTIVE DUTY STATIONS DURING WEEKEND DRILLS AND ANNUAL TRAINING IN SUCH AREAS AS SEARCH AND RESCUE, MARINE SAFETY, LAW ENFORCEMENT AND AIDS TO NAVIGATION. BECAUSE OF THE SIMILARITY BETWEEN PEACETIME AND WARTIME MISSIONS, THE BENEFITS OF THIS TYPE TRAINING ARE EASY TO SEE -- VALID MOBILIZATION-RELATED TRAINING, IMPROVED INDIVIDUAL SKILL LEVELS, AND MUTUAL RESPECT BETWEEN OUR ACTIVE AND RESERVE FORCES.

OUR BASIC PHILOSOPHY CONTINUES TO BE THAT ACTUAL PERFORMANCE OF DAILY COAST GUARD MISSIONS PROVIDES THE BEST OVERALL TRAINING FOR MOBILIZATION. DAILY INTERACTION WITH ACTIVE DUTY PERSONNEL CREATES AN INCREASED MUTUAL APPRECIATION OF EACH COMPONENT'S TALENTS AND AN UNDERSTANDING OF ITS PROBLEMS. OUR PROGRAM'S OBJECTIVE IS TO FIND THE MIX WHICH WILL MAKE THE MOST OF OUR AUGMENTATION AND MOBILIZATION TRAINING AND THUS IMPROVE MILITARY READINESS AND THE ABILITY TO MEET MISSION OBJECTIVES.

I WOULD LIKE TO THANK YOU AGAIN FOR THIS OPPORTUNITY TO ADDRESS YOU ON OUR COAST GUARD RESERVE PROGRAM. MANY IMPORTANT ISSUES ARE BEFORE YOU, BUT I ASSURE YOU, THE STRENGTH OF THE COAST GUARD RESERVE IS IMPORTANT TO THIS NATION'S ABILITY TO RESPOND IN CRISIS. IF THERE ARE ANY QUESTIONS, I WILL BE PLEASED TO ANSWER THEM NOW.

Senator JEPSEN. Thank you, Admiral.

REQUEST COAST GUARD MANPOWER INCREASE

In your formal statement you mentioned that for the first time Secretary Dole has approved a requested increase of 500 to a total of 12,500. Your growth has only been 300 in the last 10 years to your present strength of 12,000.

What level of mobilization requirements would the Coast Guard be able to man with a minimum authorized strength of 12,500, and, based on your recruiting and retention experience, could the Coast Guard Reserve successfully attain an even higher authorized strength of, for example, 13,000?

Admiral IRWIN. 12,500 would fill about 80 percent of our stated requirements for the Selected Reserves.

So 13,000 would be about 85 percent.

Yes, I believe that we could certainly recruit and retain enough people to reach that level of 13,000.

SUPPORT MISSIONS BY AIR FORCE RESERVE AND AIR NATIONAL GUARD

Senator JEPSEN. General Conaway, will you describe some of the support missions now being performed by the Air Force Reserve and Air National Guard and then describe some support missions being performed by the Active Forces which your Reserve components can perform.

The reason I pose that question is that the Active Air Force is concerned that if too many of the flying missions are transferred from the Active Force, the underlying experience base upon which the Reserve components rely will become too small.

General CONAWAY. Sir, in the flying mission area we are very large in air defense, tactical fighter and in the airlift role.

The Air Force is planning the transfer of some additional fighter aircraft to the Air National Guard and Air Force Reserve. We are working that currently in the current budget exercise.

We are working some strategic airlift organically to the Guard and Reserve.

We do need to work the balance of this so that we have the experience levels on active duty that we can train with and work with.

Yet we do some aircrew training in the Air National Guard. For example, the A-7's in Iowa, all the A-7 pilots are trained by the Air National Guard at our Tucson unit.

In support missions, the things that we have, tactical control units, like at Fort Dodge, IA, 60 percent of all of tactical control radars that there are in the Air Force are in the Air National Guard. That is over half of that mission. That is a pretty heavy load on us with what the units have to do.

Combat communications, we have a large amount.

The Air Force just announced last month two more Red Horse civil engineering equipment, construction squadrons, would be added to the Air National Guard. We are basing one of those at Camp Blanding in Florida and the other one in Virginia to take advantage of the construction skills and Air National Guard population in large metropolitan areas.

These are skilled units that require 215 people. Only 28 are full time. The rest would be traditional guardsmen and women.

These are a saving to the Air Force. We are putting those in plus units for perimeter security.

Medical skills we are working on also. We are trying to work the balance with the Air Force of what can be transferred and what can't.

Senator **Jepsen**. Do you have a comment, General Scheer?

General **Scheer**. Yes, sir.

By the end of 1989, Mr. Chairman, for instance, in the aerial port squadrons we will have shown a 20 percent gain from fiscal year 1983, civil engineers growth by 84 percent in that same period 1983 to 1989.

Medical service, 238 percent; medical evac, 26 per percent. By 1985 we will be up to 480 support units.

Just one comment, sir. We think that in looking for missions to put in the Reserve forces, there are a couple very important criteria.

One is that if it is peacetime intensive, in other words, there is not a great surge in wartime, then really there is not a lot of cost saving with a Reserve mission. If there is no economic involvement, perhaps we ought not look at it as a Reserve mission.

The other is that we can't afford to lose any combat capability in switching anything from Active to Reserve.

So, in the support missions there is an ever increasing requirement laid down, wartime requirement, for those. We are looking at those.

Medical skills perhaps will go even higher than that 238 percent, but we have to be careful that what we are doing here is not just replacing full-time Active manning with full-time Reserve manning.

Thank you.

Senator **Jepsen**. I am, in the interest of time, going to recognize Senator Exon. Senator Warner has also joined us here.

GAO REPORT CONCERNING ARMY AND RESERVE GUARD

I would request that General Berkman and General Walker address the question about the GAO report concerning Army and Reserve Guard recall procedures and the specifics of the six locations that had some weaknesses in the alert system so that we can be sure to get their answer for the record.

We must not let these studies go unchallenged and set the agenda for our defense capabilities in this country.

We are going to have enough erosion of support for defense this year as it is.

General **Walker**. You want that for the record, sir?

Senator **Jepsen**. Yes, if you have a short comment on it now.

General **Walker**. I do.

I very frankly don't think GAO did their work. They examined one phase of it, but they didn't examine the whole alert system in the National Guard.

I think our history shows we are turning out the units pretty fast to do emergency duty at home.

They only examined the alert roster and got on the telephone and called people. They didn't examine the list that each leader has in his pocket, who knows where these people live, most of them from the same neighborhood that he lives in.

Senator JEPSEN. In other words, being a former commander in the Reserve myself, I know an alert roster has their home address and home telephone. The commander would have both their home telephone number and the telephone number where they are at work in his pocket?

General WALKER. Yes, sir.

Senator JEPSEN. You are suggesting GAO picked out what they saw in the paper and had someone call on the alert rosters and found no one home?

General WALKER. They used the alert rosters and called from that. They never examined the leader's list that had the individuals listed in his wallet that he is supposed to alert.

General BERKMAN. Each unit has an alert roster as part of mobilization planning. Those are continually being brought up to date. Periodically there are alert roster exercises that take place. It is receiving a lot of attention.

I think the report was a little misleading in identifying a certain percentage of incorrect addresses in specific units.

As General Walker indicated, in the Army Reserve, too, in the event of mobilization of the alert roster, as well as the knowledge of the commanders and the knowledge of the individuals and telephone directories, the media that are available, both television and radio and the rest, would be brought to bear.

I think it is very misleading to suggest that a percentage of 20 percent, or whatever it is, would not be available.

Senator JEPSEN. That is one-fifth.

Let the record show that we will ask for a full report from the GAO as to the methods they used and then you will please submit your statement.

We will see that they are coordinated, notes are prepared. We will get some light shed on this.

Senator JEPSEN. Senator Exon?

Senator EXON. Thank you, Mr. Chairman.

General, thanks for coming this morning. As you know, this subcommittee is very much interested in demonstrating vividly our strong support for the important parts of our defense posture that you represent here.

We appreciate the excellent job that you do.

I have a few questions.

ROLE OF COAST GUARD RESERVE

Admiral Irwin, what role does the Coast Guard Reserve play in the drug trafficking problem that the Navy, at least, has been directed to assist in?

Is there a particular role or mission that your people have been involved in in that area?

Admiral IRWIN. Not a particular role. Our Reserves are very heavily involved, about 65 percent of the time, in augmenting our Active duty units.

Now, in the southeast, the Florida area and along the coast, our Reserves are augmenting units that are involved in drug enforcement. But we don't have a Reserve unit that is tasked for it.

Senator EXON. In other words, if you have men in the area, they do essentially the same duties as the Active Coast Guard and Navy would. Is that right?

Admiral IRWIN. Either do the same as Active Coast Guard Forces do or they would be relieving Active Forces so they can become more involved.

Senator EXON. Thank you.

Mr. Chairman, I want to comment on one other thing.

I believe that this newspaper story has been strongly overblown. When I was Governor, anytime I needed the National Guard, they were there promptly. I never, frankly, worried about telephones inasmuch as the word was spread and those people knew about it.

I think it is wise that we look into it so that we can have an answer to the criticism.

General Olmstead, I was curious about your statement about the landings going on now, excellent for every reason I can think of.

How do you manage to get these individuals away from their assigned duties?

You only have your clutches on them 15 days a year. You couldn't complete that exercise in 15 days and get over there and back, I don't think.

General OLMSTEAD. No. We flew over the elements of the battalion. They went over last weekend. They are participating with the Active Force over there which is in the NATO environment. They will be one of the maneuver elements, a battalion, the largest exercise we have ever had.

Senator EXON. How long will they be away?

General OLMSTEAD. Two weeks.

Senator EXON. This next question I will address to General Conaway, General Walker, or General Berkman.

PERSHING I MISSILE

We are phasing out, as you know, the Pershing I's in Europe.

Do you know what the Air Force plans to do with those? Is there any chance they might be coming back to our units for further equipment buildup?

Has that been discussed with any of you?

General CONAWAY. That would be more in the Army area.

Senator EXON. Have you heard anything about it?

General WALKER. No, sir, but there are certain missile units that will be coming back and the Army Guard will be taking over that mission.

Senator EXON. One last general comment.

That is that each one of you has been very pleased with the defense buildup, which I certainly support.

MANPOWER NEEDS OF THE FUTURE

Again, I think we had better start looking down the road a little bit to where in the world we are going to get all the people to support it. It is pretty alarming when we see some of the statistics that we see 10 to 12 years down the road.

Where are we going to get the people to do all of this?

I emphasize once again what you have heard me refer to earlier and that is that I suspect we may be overlooking a pool of woman power out there that I suspect we are going to be increasingly dependent on to meet our total manpower needs of the future.

Do you think we are doing enough in that area to employ women into places where they have not customarily been used or thought of as being used, aside from combat, of course?

General **BERKMAN**. Yes, Senator, I think that the Army Reserve is increasing the participation of women members all the time.

Eighty percent of the skills in the Army Reserve are available for enlisted women and 95 percent for women officers. Indeed as a percentage of the current force, 16 percent of the Army Reserve constitutes women soldiers. That percentage is projected to increase to 19 percent.

Indeed, the Army Reserve is utilizing their talents, skills and contribution.

Senator **EXON**. I just want to keep driving that home because I think we tend to overlook it.

WOMEN IN THE GUARD

General **WALKER**. In commenting for the Army National Guard, we must remember, first of all, in the Army National Guard we don't have as many MOS', as many slots for women as the Army Reserve.

Today the Army Guard has in it about 22,000 or 23,000 women.

Senator **EXON**. Which is what percentage?

General **WALKER**. About 5 percent.

Of the MOS' available to men, 95 percent of them are available to female officers in the Army National Guard. Eighty-six percent of them are available to enlisted women.

I think we have made real progress and we are working out this problem that you mentioned earlier about women who have been misassigned, but we in no way will force a female out. We have the same policy with regard to women as does the Army.

We are working out that problem.

General **CONAWAY**. I might add for the Air National Guard we have made some great strides in females. Basically all the career fields but five are open in the Air Force to women. We are up to about 11 percent now, or approach 11 percent, with over 10,500 females.

We are recruiting them at a much higher percentage.

The retention of the females is outstanding. Our overall retention in the Air National Guard is the main thing we are emphasizing and working on with this declining pool.

Retention was at an all-time high last year, thanks to the reenlistment bonus we have.

The stability and experience level of our force is what keeps us a strong and viable backup force.

PRIOR SERVICE PERSONNEL

Another pool that we need to consider, are those prior service people that are maybe between 40 and 60 years of age; namely, retired active duty personnel. Getting into the Guard or Reserve is really a kind of disincentive for them.

If they can get in a Guard or Reserve unit, a lot would like to continue wearing the uniform and serve with the experience that they have. They could do it, but they would do it at a reduction in pay or loss of days of retired pay.

They would like to wear the uniform, come to Richmond, Des Moines, or Lincoln, and drill one weekend a month and earn an extra $2,000 a year.

That is a pool we will have to look at as a great national resource in this country.

Senator **EXON**. Thank you.

Senator **JEPSEN**. The Navy has not had a chance to respond.

WOMEN IN THE NAVAL RESERVE

Admiral **KEMPF**. Five and one-half percent of the officer corps are women in the Naval Reserve and 8 percent in enlisted are women. I feel the Navy is utilizing the women power, and we will probably have to utilize it more. With a decrease in the male population, we will have to do that.

Senator **EXON**. Thank you. I appreciate your testimony.

Senator **JEPSEN**. Senator Warner?

Senator **WARNER**. Thank you, Mr. Chairman.

I am not a member of this subcommittee, so I appreciate the courtesy you extend me year after year in allowing me to attend because of my profound and deep interest in what these gentlemen represent.

END-STRENGTH REQUESTS

Mr. Chairman, I know that you and I possibly have some modest differences in approaches to this issue, but I will again this year scrutinize end-strength requests for the Active Forces to see the extent to which the Reserve and the Guard may absorb some of those missions that otherwise are programed for these end strengths.

I say that because, as we look at the defense budget and the necessity for reduction, I do not want to see any degradation in the progress which has been made thus far in the personnel benefits, pay, salary and otherwise, of those on active duty.

Nor do I wish to see degradation in the modernization program, weapons, O&M and training.

So, because of what is left when you look at 53 percent of the Defense budget going to manpower costs, it seems to me we have to look at end strength in terms of greater responsibility for the Guard and Reserve.

I must say, having worked closely in the Department for many years with the Guard and Reserve, I recognize the predicament you are in with respect to your daily relationship with your Active counterparts.

The Congress has to fight this battle. Congress has to fight many battles on behalf of the Guard and Reserve.

I have not seen the GAO report. I will look at that with some interest.

I recall when my unit was called up in 1950, while we didn't have a duty roster, we showed up on the appointed day. As a matter of fact, it was a scramble to make sure you weren't missing.

I think that spirit is still present.

General **Walker**. History shows that when the National Guard has been mobilized, 95 percent of them report.

Senator **Warner**. I agree with that. That has been my experience.

History also shows that within the minimum amount of time—in the case of my squadron, 60 days—pilots were flying combat missions with the regulars and doing just as good a job.

I know the system works when it is called upon. I have seen it myself.

Thank you, Mr. Chairman.

Senator **Jepsen**. Thank you.

SINGLE MOST SERIOUS PROBLEM FACING RESERVES

Very quickly, starting with General Walker, give me, please, a one-line answer to the question—would you please identify for the subcommittee the single most serious problem that you feel the Reserves have and then one additional line, how can Congress help to correct the problem.

General **Walker**. Sir, one liner? You load me up.

Senator **Jepsen**. You may submit additional things for the record. We are running late.

I think it would be very interesting. We had pretty much one liners from previous witnesses.

Senator **Warner**. Mr. Chairman, that is Reserve and Guard?

Senator **Jepsen**. That is correct.

General **Walker**. One of the things we are facing is the fact that between 1979 and 1985 we are going to have 1 million fewer young military age men and women to draw from.

I think the personnel question is probably going to jump up and hit us in the face again.

General **Berkman**. I would like to say that the one concern we have in achieving our readiness goals, and I know I am maybe hedging a bit on the question, is a combination of supporting through incentives and educational assistance personnel that are required to get us up to wartime strength and then that the Army have equipment available for those units to perform their wartime mission.

Admiral **Kempf**. I think a combination of continuing the modernization of equipment that we have started—keep that going—and then making sure that we can recruit and train people required to operate that equipment.

And then, once we have trained them we must retain them. We can't lose them. We can't keep training new people.

Senator **Jepsen**. General Scheer?

General **Scheer**. I think our major concern on a daily basis is for those weapon systems that are unique to the Reserve Forces and maintaining maximum combat capability of those with modest ongoing modification.

We tend to forget about those airplanes at times and there is a big leverage there, a little money in there will perhaps go a long way in combat capability.

Senator **Jepsen**. Both keeping current and maintenance or just keeping current?

General **Scheer**. Keeping them current, modification of the aircraft. We can maintain them, there is no problem there.

Senator **Jepsen**. General Conaway?

General **Conaway**. People are always important. Our people are our number one resource.

Equipment is the main issue that the Air National Guard has to stay on top of. Some of the aircraft are aging. The new F-15's, F-16's, and A-7's are good. They need enhanced capability such as forward looking infrared radar.

You are helping us with reengining our tankers, enhancing our older F-4's. Some of the D's and E's that we are going to receive will need to be enhanced because we are obviously not going to get new aircraft to replace all of those.

It is a combination of new aircraft and enhancing existing equipment so that we can go tomorrow with the Active Forces where we have to go around the world.

General **Olmstead**. Today our most critical requirement would be equipment modernization.

However, we are also looking over our shoulder at that shrinking manpower pool down the pike.

Admiral **Irwin**. Our singlemost critical item would be lack of authorized personnel and lack of appropriations to support them. That is it.

Senator **Jepsen**. Senator Exon?

Senator **Exon**. No further questions.

Senator **Warner**. I have no further questions, Mr. Chairman.

Senator **Jepsen**. Gentlemen, I thank all of you for your testimony and attendance.

We invite any additional comments you may have for the record and solicit your advice and counsel at every turn here as we attempt to meet our mutual concerns for our preparedness.

[The prepared statement of General Temple submitted for the record follows:]

PREPARED STATEMENT OF MAJ. GEN. HERBERT R. TEMPLE, JR., DIRECTOR, ARMY NATIONAL GUARD, DEPARTMENT OF THE ARMY

INTRODUCTION

The complexion of the Army National Guard (ARNG) and its role in the Total Army Force has changed substantially over the past few years. Increased reliance on the ARNG has resulted in significant increases in force structure and in responsibility for early deploying missions. The size of the force has increased dramatically from 346,000 in FY79 to a requested strength of 447,000 in FY85. Modern equipment has been distributed to the ARNG and increasing amounts are planned for distribution in the future. Training for some members has increased beyond the normal 48 weekend drills and 15 days of annual training. The ARNG is being asked to do more and, when given the resources, has demonstrated that it can do more.

The support of Congress is integral to providing the authorizations and appropriations for all ARNG programs. In providing that support, Congress and the American people have a right to expect a fair "Return on Investment" from the resources provided to the ARNG. Although it is difficult to put that "Return on Investment" into the same percentage terms as is commonly anticipated for an investment in a commercial instrument, this statement will show that the resources provided to the ARNG have resulted in improvements to the force and have been wisely utilized.

The statement is broken down into two sections, the first dealing with state missions and the second with Federal missions. State mission responsibility sets the National Guard apart from the other Reserve Components and provides it with local, state, and national visibility as it is mobilized by the states to respond to natural disasters, civil disturbances, and other domestic emergencies. The Federal mission, which is primary, is "to provide properly trained and equipped units available for prompt mobilization in the event of national emergency or war" and is dealt with in detail in this statement.

STATE MISSIONS

Fiscal year 1983 was another active year in which the National Guard was used by civil authorities to respond to emergencies throughout the states and territories. Guard personnel responded to 511 call-ups in 48 states and territories continuing a trend to utilize the training and expertise of National Guard forces to respond to civil emergencies. The total of 511 call-ups involved 10,630 Guard personnel and required 60,300 mandays. An analysis of the civil emergency support missions finds the ARNG responding to a never ending onslaught of extreme weather which brought record snow, rain, cold, and heat affecting many states. During Hawaii's first major hurricane in 23 years and California's worst earthquake since the San Francisco quake of 1906, ARNG soldiers came to the support of residents and communities. This was also a period in which the National Guard played a more active role in support of law enforcement drug control operations. Use of fewer Guard personnel for state missions is an obvious indication of tighter state budgets as state funds provide pay and allowances to Guard personnel during state emergency duty. The involvement of the National Guard in various types of missions reflects better training and public acceptance of the Guard as a professional emergency force. The statistics regarding state mobilizations in the following two paragraphs pertain mainly to the ARNG but in some cases include situations in which both Army and Air National Guard personnel were mobilized as a joint task force.

Ten civil disturbance call ups in ten states occurred in FY83. However, natural disasters and emergencies other than civil disturbance operations are the dominant reasons for state mobilizations. Natural disasters accounted for 129 call ups which included 63 floods, 22 snow/ice storms, 12 forest/range fires, 22 tornados, 7 volcanic eruptions, 1 earthquake, and 2 hurricanes. The remaining 372 operations involved 127 medical evacuations, 71 search and rescue missions, 26 water hauls to areas experiencing drought, water contamination or systems under repair, 9 power outages requiring emergency electrical power, 4 chemical spills/chemical fires, and 135 support missions involving sundry emergencies.

Mobilizations for state emergency duty, paid from state funds, provide a return on investment in terms of increasing preparedness for the ARNG's Federal mission. These state call-ups in many ways can be compared to additional periods of training in which ARNG members and units have the opportunity to exercise and perfect their military skills and perform in many of the same functional areas as those required for the Federal mission. Command and control, alert and assembling of units, convoy movement, communication, team work, development of operations orders, logistics and administration are but a few of the functions common to Federal missions which enhance overall preparedness. In addition, during periods of state emergency duty which require specialized units such as medical, transportation, military police, aviation and engineer units, military occupational specialty (MOS) training is enhanced.

FEDERAL MISSIONS

ORGANIZING THE GUARD

The Department of Army (DA) Deputy Chief of Staff for Operations and Plans (DCSOPS) is responsible for determining how the Total Army Force should be organized to meet our nation's wartime requirements. The Chief, National Guard Bureau (NGB) and Director, ARNG, in coordination with state Adjutants General, participate with the DCSOPS in determining what types of units will be organized within the ARNG force structure.

In FY81, Congress supported organizational changes to selected elements of the ARNG force structure to meet Total Army Force requirements and the enhanced defense of our country. Among the most significant was the activation of an additional armor brigade in the Kentucky ARNG . This brigade was formed by a consolidation of existing combat and combat support elements, permitting the Army to add combat power at minimum cost and with minimal personnel turbulence. In addition, nuclear, biological, and chemical defense companies were added to the 50th Armored Division in New Jersey and the 49th Armored Division in Texas. A combat support aviation company was activated in Hawaii as part of the 29th Infantry Brigade, which is roundout to the 25th Division.

The ARNG continued to modernize in FY82 consistent with Total Army Force wartime requirements and resource availability. Significant force structure actions accomplished were the activation of an air traffic control headquarters, a medical battalion headquarters, and an ammunition battalion headquarters with three conventional ammunition companies. Military intelligence aerial surveillance organizations were reorganized to form a Combat Electronic Warfare Intelligence aerial exploitation battalion (-). The ARNG also organized its first units in Guam, a military police company and two engineer detachments.

During FY83, each of the 54 State ARNG headquarters organizations were reorganized into State Area Commands (STARCs). The purpose of the reorganization was to establish more effective support for mobilization of the ARNG. Significant activations in FY83 included an infantry battalion headquarters (mountain) and a mountain school. Establishment of a mountain school fills a void that existed for the training of specialized combat forces. Standardized training by expert mountaineering specialists will ensure that the requisite skills for successful mountain/cold weather combat operations are achieved.

Force structure actions programmed for FY84 include the activation of the 35th Infantry Division (Mechanized) headquarters located at Ft. Leavenworth, Kansas. Plans for the division's structure were solidified during FY83 as a result of conferences with the states involved in formation of this new ARNG division, i.e., Kansas, Nebraska, Kentucky, Colorado, and Missouri. The core of the division will be formed with three existing separate combat brigades from the states of Kansas, Nebraska, and Kentucky. The additional structure will come from the conversion of some existing non-divisional structure and new activations in the five cited states. Activation of the Total Army Force's only ROLAND battalion in the New Mexico ARNG marks the first time that the Guard has received a weapon system not previously fielded by the Active Army. US ROLAND is an all-weather air defense weapon system designed to protect troops and other battlefield targets against low altitude air attack. The ARNG increased its divisional roundout role in the Total Army Force in FY84. An additional roundout brigade was added increasing the total furnished by the ARNG to five and an additional roundout battalion was added increasing the total furnished by the ARNG to seven.

The increase in ARNG force structure planned for FY85 is considerable when compared to previous years. Force structure changes include transfers of Active Component units to the ARNG, activations of new units, and conversions of existing units. Examples of the types of units being transferred and/or activated include engineer, artillery, transportation, forward support, and field service units. A divisional support command headquarters for the 35th Division will be activated. Detailed planning was begun in FY83 for the reorganization of nine state owned/operated training sites which are also mobilization stations. The purpose of the reorganization was to provide continuity in the transition from peacetime to mobilization for those mobilization stations. The Installation Support Units (ISU), as the sites are called, will perform a training mission and a mobilization and deployment planning mission in peacetime. The ISU will operate the mobilization station upon mobilization. The ISUs are programmed to be resourced over several fiscal years beginning in FY85.

The return on investment in the force structure area is realized by summarizing the contributions made by the ARNG to the Total Army Force. Forty six percent of the combat units and 37 percent of the combat support and combat service support forces exist within the structure of the ARNG. As of FY84, these forces include 9 divisions, 17 separate brigades, 5 divisional roundout brigades, 7 divisional roundout battalions, and 4 armored cavalry regiments. Future plans include an even greater role for the ARNG as a partner in the defense of this country.

MANNING THE GUARD

Building on strength gains made each year since 1979, the ARNG has continued to pursue its aggressive program for increasing strength, concurrent with the expansion of ARNG structure. Fiscal Year 1983 closed with an ARNG paid strength of 417,178, including 41,678 officers and 375,500 enlisted personnel. This represented the successful achievement of over 100 percent of ARNG programmed end strength, 97 percent of authorized strength and 92.5 percent of the wartime requirement. At the same time that these gains were being made, the overall quality of the force continued to improve. Test score category IV accessions decreased significantly from 11.8 percent in FY82 to 6 percent in FY83---well within the objective of 20 percent.

Support of our strength program remains key. Strength increases and quality gains are in large measure attributable to the efforts of the ARNG full-time recruiting force. Scheduled additions will bring this force to a strength of 2,534 in FY85. The additional recruiters will be employed to meet a tougher recruiting environment characterized by an improved economic climate and a decreased manpower pool of 18-21 year-olds (9.6 million in 1985 - down from 10.8 million in 1979). The Selective Reserve Incentive Program (SRIP), designed to support quality fill of critical skills and high priority units, will remain an essential ingredient for meeting strength objectives. It is absolutely essential that SRIP be continued beyond the expiration of current authorizing legislation at the end of FY85. The ARNG advertising program further enhances total strength in attracting and maintaining public interest and support. ARNG recruiters continue to benefit from local television and radio public service announcements as well as localization of NGB produced advertisements and media materials. Another success for the ARNG in FY83 was in the retention of enlisted soldiers. Retention of first term enlisted soldiers was 109 percent of objective for FY 83 and 101 percent for careerists. Within that success, however, as the force grew and the economy improved, ARNG losses prior to the completion of enlistment contracts (or non-ETS losses) have started to increase. During FY83, the non-ETS loss rate rose from 15.7 percent to 16.8 percent. The current force of 258 ARNG full-time retention Non-Commissioned Officers (NCOs) is working to improve retention by resolving conflicts with employers and family members and by improving relations with employers; their major thrust, however, is to reinvolve unsatisfactory and absent members. The 99 additional retention NCOs being requested for FY 85 will reduce non-ETS losses to 15.6 percent. Though this reduction in the non-ETS rate appears to be small, it will result in approximately 3,400 current members being retained in the ARNG. This represents an excellent return on investment as 3,400 fewer accessions will be required, resulting in savings of nearly $10.0 million based on an average accession/training cost of $6,700. We expect to meet our retention objectives through the efforts of these retention NCOs and by continuing a strong strength management education and training effort to involve all leaders in the retention program.

The percentage of minorities in the U.S. population is approximately 16 percent with a minority population of 25.6 percent in the 17 to 34 age group. At the end of FY83, minority strength in the ARNG was at 107,099, equating to 25.6 percent of total ARNG strength. This figure includes 3877 minority commissioned and warrant officers and 103,222 enlisted members. The ARNG has experienced a .2 percent drop in minority representation since FY82, although the actual minority strength in numbers has risen by 1491. The percentage drop is attributed to the increase in overall ARNG strength.

Officer programs have continued to contribute quantity and quality to the ARNG strength gains. Accessions have been steadily increasing and have now reached the programmed level, just under that authorized by the force structure. At the end of FY83, commissioned and warrant officer strength reached 41,678 or 99.7 percent of the budgeted program of 41,800, and 97.5 percent of the 42,759 authorized force structure. Although the recruiting and retention of medical specialties, particularly physicians, remains a concern, the fielding of the Army Medical Department full-time recruiting force resulted in a significant increase in accessions- -120 in FY82 and 161 in FY83.

The flow of officers from the Reserve Officers Training Corps (ROTC) has increased from approximately 10 percent of ARNG officer accessions in 1979 to 34 percent in 1983. ROTC accessions are programmed to increase to 40 percent of total accessions by FY89. The State Officer Candidate Schools (OCS) remain the primary source of career officers and best meet the particular needs of geographically dispersed units.

With a good officer strength posture in FY84, the ARNG is focusing on improving the quality of its officer corps. Increased civilian education requirements for officers implemented in FY83 are expected to contribute significantly to this goal in FY84 and beyond. Minimum officer education requirements for OCS applicants will gradually be raised from the current requirement for a high school diploma to two years of college for the 1989-1990 state OCS class. All officers appointed in the ARNG after 30 September 1983 are required to have a baccalaureate degree to be considered for promotion to major. Additionally, all ARNG commissioned officers will be required to have a minimum of two years of college by 1 October 1989. Success of these educational initiatives is dependent upon ARNG efforts to provide tuition and other types of educational assistance to its members similar to that now available for Active Army members. The ARNG and the Army Reserve are seeking authority and funding to begin providing educational assistance to their members in FY85.

The ARNG Captains to Europe program, begun in 1980, has continued to provide an opportunity for ARNG captains to gain experience with the Active Army in Europe while on a 20-30 month tour of active duty. The program has expanded to include Panama and Korea and has provided training for over 117 captains in brigade and smaller units. The Active Component also benefits from this program--one young ARNG captain developed and implemented the M1 tank fielding program for US Army Europe while another developed the USAREUR adopted counter-terrorist program.

Another major element of manning is the full time support force. Traditionally, ARNG military technicians have been the primary source of full time support. For many years, they have provided the continuity for unit operations between monthly drill periods in the administrative, supply, maintenance, and training areas. Prior to the passage of the FY84 DOD Appropriations Act, ARNG military technician program growth had been negligible, increasing from 22,247 in FY81 to 22,742 in FY83. As a result of FY84 Congressional action, the ARNG military technician floor was raised from 22,557 in FY83 to 24,119 in FY84, an increase of 1562 technician positions.

Before FY81, the only ARNG members on active duty tours served in the area of recruiting and retention and in positions at the national level. Based upon the Defense Manpower Commission report of 1976 and Congressional actions in 1979, the ARNG began to add full time military personnel and convert military technician positions to full time military positions. These programs have evolved into today's Active Guard/Reserve (AGR) program. Personnel on full-time military duty in the AGR program generally come from the same source as ARNG technicians, i.e., members of the ARNG who are local residents and who have long term ties with the unit and the community. This is unique to the National Guard as AGR personnel serve in a state control status until federalized.

The Full-Time Manning (FTM) program, which is part of the AGR program, has the following objectives: to provide additional military personnel to assist unit commanders in the transition to a wartime posture by improving training, administration, logistics, and maintenance; to improve readiness capability in early deploying units; and to assist in improving mobilization capabilities at the unit level. The FY80 budget provided authorization and appropriations for 1108 personnel to be placed on full-time military duty in selected units for the purpose of improving mobilization readiness. These 1108 ARNG members were joined by 624 Active Component personnel with highly specialized skills to assist in accomplishing this mission. Through FY84, the FTM program has grown to a level of 6,253 ARNG AGR personnel and 839 Active Component personnel.

The FY 84 appropriation includes a total of 16,632 AGR personnel. The FY 85 budget request includes growth of 9,951 personnel in the AGR program to 26,583 and will improve our ability to achieve ARNG readiness objectives. Approximately 94 percent of the growth is in the FTM program (3,588) and in the Readiness Support program (5765). Six hundred of the AGR-FTM positions will replace Active Component FTM personnel as they are phased out of the FTM program and return to Active Component units. The balance of AGR-FTM growth (2988) will provide additional personnel for company-size units and intermediate staff and will be assigned in sequence based on priority. The increase in the Readiness Support program provides for a wide variety of initiatives. These include, but are not limited to, programs to develop new organizational structures while modernizing forces, identifying and establishing aviation training sites, improving personnel support, and identifying the initial increment of full-time unit support considered necessary to adequately support the ARNG. This number is considered the minimum necessary to support the FY85 requested force of 447,283 soldiers and associated equipment that will comprise 57 percent of the Active Component strength and 39 percent of the Total Army Force inventory of artillery, combat vehicles, and other major items of equipment.

EQUIPPING AND SUSTAINING THE GUARD

Elimination of the ARNG equipment shortfall would provide the most immediate return on investment, in terms of readiness improvements, from resources applied toward a major problem area in the ARNG. Lack of equipment on hand and maintainability problems associated with older equipment currently found in the ARNG inventory are the two primary reasons for readiness shortfalls. Equipment shortages are by no means unique to the ARNG. They exist throughout the Total Army Force and occur as a result of operating in a resource constrained environment. At the start of FY84, equipment needed by the ARNG to meet full wartime mobilization requirements was valued at $25.0 billion (includes procurement funded items only). To meet this wartime requirement, equipment valued at $13.1 billion was on hand in ARNG units leaving a shortfall of $11.9 billion. These figures are substantially larger than the $4.7 billion shortfall figure reported to Congress at the start of FY83. The increase in cost figures reflects a more realistic picture and results from costing the inventory and shortfall based on modern equipment replacement costs and current dollar pricing. The $4.7 billion figure was based, for example, on the procurement cost for M48A5 tanks in units which had that model of tank and were short the number required by the unit TOE. That shortfall is now based upon the cost of filling the requirement with an M1 Abrams tank.

The Active Component is committed to providing modern equipment to ARNG units in support of both peacetime training and wartime requirements. Evidence of this commitment is reflected by the decision to provide modern equipment to ARNG roundout units concurrently with modernization of the parent Active Component unit. This has accelerated and is scheduled to accelerate the modernization process in many ARNG roundout units. Examples of modern equipment which have been issued since FY82 are M1 Abrams and M60A3 tanks, Bradley Fighting Vehicles, and Improved TOW vehicles. Receipt of this new equipment causes the displacement of equipment currently on hand to other lower priority units, either to fill unit shortages or provide a more modern set of equipment. An example of this "waterfall effect" becomes evident when the M1 tank displaces the M60, the distribution of which will then cause M48A5 tanks to displace.

In FY83, equipment issued by the Active Component to the ARNG through normal supply channels in FY83 totaled $370 million, an increase of nearly $100 million over the FY82 level of $271 million. Projections by DA indicate that $611 million worth of equipment will be delivered to the ARNG in FY84. The Active Component is committed to procure nearly $1 billion worth of equipment for the ARNG as a result of FY84 appropriations. Significant deliveries of this equipment are scheduled to occur in the FY86-87 time frame.

Because of the high density of armor within Warsaw Pact forces, it is imperative that we have weapon systems capable of defeating that threat. Modernization of the ARNG helicopter fleet began in FY80 with the transfer of the first 7 AH-1S aircraft from the Active Component. Anticipated deliveries of 27 AH-1Ss in FY84 and 67 more in FY85 will increase the ARNG inventory to a total of 150 AH-1Ss. Total ARNG requirements are for 409 AH-1S aircraft. Most ARNG aviation attack units are currently equipped with the UH-1M aircraft, a Vietnam vintage attack helicopter which has neither the armor defeating TOW system nor an all weather capability. Delivery of AH-1S aircraft has provided ARNG aviation with both capabilities.

Additional equipment has also been procured for ARNG units from Congressionally dedicated funding. As a result of dedicated funding provided in 1978, the ARNG has received newer generation communications equipment. Also, 149 5 ton cargo trucks were distributed to the ARNG as a direct result of 1982 dedicated funding. Congressionally dedicated funds were utilized in FY83 for procurement of armored personnel carriers, 5 ton cargo trucks, and tactical communications equipment. In FY83 Congress also provided funds for procurement of COBRA helicopters and C-12 aircraft for the ARNG within DA procurement appropriations. The ARNG will use the $100 million of dedicated procurement funds provided by Congress in FY84 for procurement of tactical communications equipment, fuel tankers, Commercial Utility Cargo Vehicles, night vision goggles, and Decentralized Automated Service Support System (DAS3) computers. This is in addition to $45.8 million for upgrade of AH1G helicopters to AH1S configuration (COBRA/TOW) and $10.5 million for 23 company sets of Multiple Integrated Laser Engagement Systems (MILES) provided within DA procurement appropriations and specifically designated for the ARNG. The delivery of this equipment has already improved, and, in the cases of equipment which has not yet been delivered, will improve the equipment on hand status of early deploying units. Additionally, delivery of modern equipment to the ARNG provides a training opportunity that will enhance the effectiveness of the ARNG's role as part of the Total Army Force. Provision of new equipment to the ARNG will also ensure compatibility with Active Component equipment.

As a result of an ARNG Communications-Electronics Equipment Study conducted in 1982, the problems identified in the areas of interoperability, compatibility, supportability, and deployability have been and are still being addressed at the DA level. Major concerns are with the first generation multichannel Frequency Division Multiplex equipment in all ARNG signal battalions and detachments. DA has directed assessments of the interoperability, supportability, and interface of the first generation multichannel equipment by all major commands.

With $70.6 million of the total of $150 million of Congressionally dedicated procurement funds provided by Congress in FY83 and FY84, the ARNG has been able to initiate procurement of equipment to improve division and corps level communications equipment. Examples of this equipment would be multichannel telephone terminals and radios for corps level signal units, and improved high frequency radios for division level units. In addition, the ARNG is also procuring small unit transceivers and test equipment. This Congressionally dedicated funding is enhancing the ARNG readiness capability and will improve battlefield communications with Active Component units.

The ARNG organizational clothing and equipment (OCE) program posture has improved but continues as a major problem area. The problems are related to expanding requirements for stock funded items due to the increasing size of the force, new systems being introduced (e.g., body armor, Kevlar helmet, chemical protective overgarment), new requirements (e.g., troops in units located in warm climates being required to be outfitted for cold weather missions), increased emphasis (e.g., one training set of chemical defense equipment (CDE) in addition to one contingency set), the age of on hand OCE, and inflation. Prior to FY82, there was no significant growth in the ARNG OCE program. In FY82 and FY83, Congress provided increases to the Operation and Maintenance, ARNG (OMNG) budget request which permitted significant increases for procurement of CDE, cold weather clothing and equipment (CWCE), camouflage modules, OMNG funded medical equipment, tool and test sets, and fire direction sets.

The level of support available to requisition from DA and DOD stock funds is critical to unit mobilization and deployment readiness. Even with the increases provided by Congress in FY 82 and FY83, ARNG OCE shortages totaled $444.1 million at the end of FY83. Negative program growth of $64 million in FY84 in this critical area will cause the projected backlog to increase to over $508.2 million at the end of FY84. The FY85 budget of $126.5 million will not alleviate the shortfall significantly because, even with increased program growth over FY84 levels, replacement of demand supported items consumed during FY85 will exceed $100 million. Chemical Defense Equipment shortfalls which impact on both training and mobilization readiness continue to be of concern. Extensive shortages of OMNG funded medical equipment also impact on the ARNG's ability to achieve readiness goals. Based on increasing OCE requirements, it is difficult to project significant reductions in backlogs in the near future. Priority of issue continues to be to early deploying units.

Expansion of commercial communications services for the ARNG will continue during FY 84 and 85 to support DoD requirements for Intrusion Detection Systems for facilities housing sensitive equipment as well as to support budgeted increases in communications services required for added full time support personnel. Replacement of antiquated and inefficient telephone systems at State headquarters remains a high priority. Planning and programming to accomplish these actions did not include cost inflation resulting from the uncertain impact of telephone industry deregulation. The impact of this deregulation, based on telephone cost increases that have been publicly revealed, will be substantial and will require additional resources to support basic telephone service and commercial circuits. By January 1985, all states will have the capability to pass classified data through secure facilities and communications equipment. In conjunction with Forces Command (FORSCOM), planning continues to provide secure terminals at each State Area Command (STARC) by FY86 to provide access to the World Wide Military Command and Control System.

Materiel readiness reports at the end of FY83 revealed that the ARNG equipment readiness posture compared favorably with Army standards. However, some disturbing trends in non-mission capable rates for the ARNG have developed. A contributing factor to these trends is the shortfall in the FY84 funds needed to purchase repair parts. Shortfall in the ARNG repair parts funding program will exceed $138 million by the end of FY84. This shortfall will force a reduction in the stockage of authorized repair parts, resulting in a reduced capability to provide responsive repair parts support and decreased equipment operational readiness. Repair parts requirements are directly related to expanded equipment inventories, equipment age, and to equipment deterioration resulting from the increased use of ARNG equipment to support training. The expanded use of ARNG equipment to support Active Component and Army Reserve year round training programs is also a contributing factor to the significantly increased ARNG maintenance support requirements. While most of the equipment in the ARNG is fully supportable and deployable, some of it is old and significantly less capable than equipment in the Active Army. For example, ARNG air defense units are equipped with the 30 year old M42A1 Self Propelled 40mm Gun - Duster, which has become progressively more difficult to maintain due to age, deterioration and the non-availability of repair parts, major components and ammunition.

The budgeted FY85 repair parts funding support level will provide a positive improvement in the ARNG materiel readiness posture and deployment capability. This increase will provide for improved repair parts stockage and significantly decrease repair parts related maintenance backlogs at both organizational and support level maintenance shops. Increased command emphasis, the implementation of management initiatives designed to improve both maintenance training and operation, and the expanded availability of repair parts will significantly enhance the ARNG's FY85 equipment operational readiness posture.

The FY85 depot maintenance program provides $81.4 million to upgrade and improve aging ARNG equipment. A series of depot maintenance programs designed to improve the fighting capability of combat vehicles is continued in FY85. These essential equipment improvement programs include modernization of the M109A3 155mm Self Propelled Howitzer, conversion of gasoline powered M113 Armored Personnel Carriers to diesel engines, and upgrade of the ARNG 5 ton wrecker fleet. A program to combat the very serious problem of rust damage to ARNG vehicles is being continued. This rust proofing program, initiated in FY83, will ultimately result in the rustproofing of all tactical wheeled vehicles in the ARNG inventory. The FY85 ARNG depot maintenance program provides funds to support a materiel readiness posture in the ARNG that will continue to compare favorably with established standards.

Upon mobilization, the four ARNG Aviation Classification Repair Activity Depots (AVCRAD) round out the Active Component's world-wide aviation depot maintenance capability. This program transfers the experience and expertise of ARNG aviation maintenance personnel to the sustainment of Total Army Force aviation immediately after mobilization. In their pre-mobilization status, the mission of these units is to provide aviation maintenance support up to and including limited depot maintenance for the 2500 aircraft in the ARNG inventory. One of the programs in this support mission is a closed loop, aircraft component direct exchange program. Serviceable components are stocked at the AVCRADs. Unserviceable components are sent from units to their supporting AVCRAD, which returns a replacement component to the unit. AVCRADs perform the required repairs on the unserviceable components and replace them in stock, ready for reissue. During FY83, 9,387 components were exchanged, which directly contributed to the ARNG aircraft operational readiness rate of 73%.

The demand for ARNG personnel and administrative management information required to better manage the ARNG continues to expand. The existing automated ARNG Personnel Reporting System (PRS) can no longer keep up with these fast growing requirements. The ARNG Standard Installation/Division Personnel System (SIDPERS) is designed to fill this void. The SIDPERS-ARNG system will provide standardized data which will permit interface with Active Army and Army Reserve automated management information systems. This standardization will greatly broaden the management information available to support rapid mobilization, force structure objectives, maintenance of and projections for manning the ARNG, statistical input for logistical funding and readiness, and provide the operations and training information required to meet mission requirements. Implementation of ARNG-SIDPERS will provide the capability to immediately merge ARNG personnel records and data into the Total Army Force personnel management system upon mobilization. It also will enhance retention through provision of improvements in the military pay system for individual soldiers. Although the SIDPERS-ARNG system will not be operational until October 1984, preparations for its implementation have produced some immediate returns. The SIDPERS personnel in the states are responsible for the PRS, a quality assurance program, records preparation, and certain data elements in the current automated system. This has improved the quality of data now received through the PRS. The placement of SIDPERS personnel assets in the states to effect the quality assurance program, establish document audit trails, and train input originators and personnel managers has also resulted in a more timely and accurate drill attendance reporting program. SIDPERS personnel will continue preparations for system implementation while providing the management information required to support the Guard's role in our national defense.

Another sustaining effort is that of operating, maintaining, modernizing, or replacing facilities utilized by the ARNG. This involves a physical plant of 5,010 facilities consisting of 2,822 armories (1,504 of which are over 25 years old), 1,585 logistics facilities, 445 training sites, and 158 United States Property & Fiscal offices and warehouses. These facilities range in size from a 60-person armory in a small community to large training sites with acreage capable of supporting an entire division during a single training period. Under the provisions of the United States Code, facility support varies from 100 percent Federal funding of training sites to full state funding for operation and maintenance of state-owned armories. The Backlog of Maintenance and Repair (BMAR) will continue to increase, based on funds available for the Base Operations program during FY 84. However, the FY 85 budget request includes funds for BMAR reduction which, when coupled with the out years program, would meet the Congressionally mandated containment level of $15.2 million during FY 88. Continuing use of computerized systems is paying big dividends in upgrading the OMNG minor construction and maintenance and repair programs and making them more responsive to Federal and state requirements.

The backlog in construction requirements at the end of FY 83 is valued at $825 million which indicates a leveling off of identified construction backlog. However, this apparent leveling off is deceptive considering the increased aging of the existing physical plant, as noted by the increase in the number of armories over 25 years old and current emphasis to replace World War II temporary buildings still in use at annual training sites. New management initiatives are addressing these problems. The objective of one such initiative entitled Stable Annual Investment for Renewal of Systems (STAIRS) provides new perspectives in assessing priorities during budget cycles as one means of gaining visibility for these needed facilities replacement projects. The program goal is to achieve a 2 percent replacement rate for all categories of facilities. Emphasis is being given minor construction projects to upgrade and modernize training site facilities and ranges as one means to maximize training during the limited time available to ARNG troops. Range developments will be consistent with new weapons entering the ARNG inventory and the Army's combat training doctrine.

The FY 84 Military Construction, Army National Guard (MCNG) program provides for 53 new major construction projects. The minor construction program includes funds to initiate the local training site range modernization program. The FY85 military construction request of $89 million will provide for 50 major construction projects, with 8 additional construction projects released from the major construction program to be accomplished under the expanded authority permitted under Military Construction (MILCON) minor construction. Funds programed for upgrading local training sites have been doubled from the prior year amount.

TRAINING THE GUARD

As a result of increased reliance on the ARNG as part of the Total Army Force, major emphasis continues to be placed on training to meet readiness goals, both for individuals and units. Return on investment from resources applied to training is a force that knows how to fight and win on the modern battlefield under the lethal conditions which will exist there. Much has been accomplished in improving the training readiness of the ARNG in the past few years but with the increasingly important role it is being asked to play in the Total Army Force, much remains to be done.

Increased emphasis has been focused on training in a field environment in the past few years. We must train in an environment which provides as close to combat conditions as possible and to the levels which combat will demand, i.e., train as we will fight. Our leaders have to know how to orchestrate the battlefield to our maximum advantage because we will be outnumbered both in personnel and weapon systems. Because there will be little time for post-mobilization training, we must be prepared to respond at any time.

An established goal of the ARNG is to increase the level of unit training. During FY83, 57 percent of all armor, infantry, armored cavalry, reconnaissance and TOW Light Anti-Tank (TLAT) battalions/squadrons trained at battalion level and above. All units must graduate to combined arms (task force and company/team level) training as this is the way these units will be required to fight. The ARNG has made some progress in this vein with National Training Center (NTC) rotations for heavy roundout battalions, limited procurement of MILES equipment, and three week annual training periods for selected units. However, in order for us to improve combined arms training, which takes place primarily during annual training, we must improve our capability to conduct mission-oriented training during drill periods. Factors inhibiting that capability are support for local training areas and a shortage of travel funds to support movement of units to adequate training areas.

In FY83, ARNG units began training at the NTC when an armor battalion from the Georgia ARNG trained there with the Active Component brigade with which it is aligned. In FY84, a mechanized infantry battalion from the Minnesota ARNG will be challenged by the NTC training experience. In FY85, five ARNG battalions are scheduled to participate. Heavy roundout battalions will continue to train there on a frequency of every three years and scheduling of an ARNG brigade task force is being considered for the FY86-87 timeframe. This program is funded almost entirely by FORSCOM for ARNG units. Support of FORSCOM funding programs for the NTC is, therefore, vital to the ARNG. Funding for an additional week of annual training and preparatory training for participating units is included in the FY85 ARNG budget request. Training for ARNG units at the NTC provides invaluable lessons learned and a unique opportunity to realistically execute missions for which they have trained.

A requirement for Reserve Component nuclear-capable artillery battalions to take a nuclear ARTEP and have a technical validation inspection administered was implemented in FY83. In order to successfully complete a qualification ARTEP, a unit must conduct a minimum of 80 percent of their delivery of fire tasks while maintaining a 70 percent or better operational readiness in personnel and equipment. Each nuclear capable unit must complete all nuclear level tasks. During the 50 continuous hours of field operations required, a unit must conduct a minimum of five tactical moves of at least 5 kilometers each. Two of these moves must be conducted at night. Twenty-five ARNG battalions were evaluated and the results were impressive. With a standard of 80 percent, the ARNG artillery battalions averaged 95.6 percent. Two units had perfect scores and only two scored below 90 percent. The remainder of the ARNG nuclear-capable artillery battalions will be administered this evaluation, required every three years, during FY84 and FY85.

The AC/RC Partnership Program pairs the major combat units of the ARNG with similar Active Component units for training support, evaluation, and assistance. This program was initially funded in FY82 and has expanded to a $2.9 million program for FY85. It provides vital training assistance to ARNG combat units which comprise almost half of the wartime fighting strength of the Total Army Force. Another key result of this program has been support for the ARNG force modernization process.

The Army CAPSTONE program aligns Active Component and Reserve Component units based on wartime requirements and allows units to plan and train for their wartime mission during peacetime. The initial CAPSTONE alignments were developed for Europe and have subsequently been expanded to include the Pacific and the rapid deployment force (RDF). As relationships have solidified, senior CAPSTONE headquarters are providing subordinate units mission planning and training guidance. The FY85 budget provides funding to support attendance by ARNG commanders at conferences with CAPSTONE aligned units to exchange information and refine operation plans.

ARNG participation in exercises serves as a prime means of accomplishing much needed combined arms training and exercising mobilization plans and provides units with training opportunities that are not normally available in the yearly training program. ARNG units are selected to participate based upon their contingency mission (CAPSTONE alignment). Greater emphasis is being placed upon ARNG unit participation to fully evaluate a given operation plan. Involvement in exercises has increased dramatically since FY81 when 68 units and unit cells participated. During FY83, 185 units and unit cells participated in exercises to include deployment of a battalion task force with its equipment to Italy for Display Determination 83. In addition, the ARNG deployed a complete armor battalion to Europe which drew POMCUS equipment and participated in REFORGER 83. Plans have not yet been finalized regarding ARNG exercise participation in FY84 and FY85, but more units and unit cells will likely be involved than in previous years.

Overseas deployment training (ODT) provides high priority ARNG units the opportunity to train in their contingency area with their wartime gaining command. The current ODT program began in 1976 with six ARNG units participating. Participation increased to 221 units and unit cells in FY83 with a further increase to 407 units and unit cells in FY84 and 483 units and unit cells in FY85.

Since 1981, the Battalion Training Management System (BTMS) has been in a sustainment mode, ensuring institutionalizaton of training management in all aspects of the Total Army Force training system. The BTMS goal is to ensure that all organizational levels, from squad to battalion, are trained to effectively plan, conduct and manage new training to include the understanding and use of training support materials. The Army's training management doctrine has been incorporated into all levels of the ARNG school system. An analysis provided by FORSCOM based on data contained in the annual training (AT) evaluation reports of Reserve Component units reported a positive correlation between BTMS and "overall AT performance" for company-sized units, underscoring the value of BTMS in developing junior leaders. Statistically, BTMS was the most significant factor influencing overall AT performance. Units which scored well in BTMS performed well overall.

The ARNG has embarked on a program that will improve the educational qualification of the AGR force and the M-Day force. To assist in attaining the required training standards, all AGR officers and NCOs are to receive resident training at Active Component schools. The intent is to have ARNG AGR personnel trained to the very highest level possible. By receiving the very best training available, these ARNG trainers will be better able to assist unit commanders with training of the M-Day force and to make optimal use of the limited training time available. M-Day personnel are also encouraged to attend Active Component schools to improve their military skills when attendance at such schools can be worked out with employers. Side benefits of such training sometimes result in improved ability to perform in their civilian jobs as well.

Conduct of training for NCOs in the ARNG today is designed to provide the NCO with the knowledge and skills necessary to lead, fight, and survive on the modern battlefield. The key to battlefield mission success rests heavily on a well trained NCO force. The training benefits realized are that all phases of readiness, including training, mobilization and capability to defeat threat forces will be enhanced when leadership skills are improved at all levels of supervision. In 1977, the ARNG instituted an NCO education system. In FY80, a formalized NCO training program approved by Training and Doctrine Command, the Reserve Component Noncommissioned Officer Education System (RCNCOES), was begun, graduating 7,000 students from courses designed for all NCO levels. Participation in RCNCOES programs has increased to the point that 30,000 students are expected to graduate in FY85 with $13.0 million budgeted for the program. Commanders and senior NCOs have stated that significant contributions have been made to the ARNG overall readiness posture as a result of RCNCOES programs.

Initiated in FY81 as a $3.0 million program, the Key Personnel Upgrade Program (KPUP) is budgeted for $13.3 million in FY85. The purpose of KPUP is to further develop key personnel in ARNG units through direct association with their Active Component counterparts during tactical training exercises. Initially participation in KPUP was restricted to personnel in selected units but in FY82, participation was opened to personnel from all ARNG units. During FY83, ARNG personnel participated for the first time in REFORGER 83 with Active Component units currently deployed in Europe and also participated in tactical training at the NTC. These and other on-going KPUP initiatives will further increase the utility of this program which has become vital to the training readiness of the ARNG.

The Army's Individual Training and Evaluation Program (ITEP) was implemented Army-wide in FY83 as a successor to the Skill Qualification

Training (SQT) program. While offering many refinements, a key feature is that it is a program which can be fully executed. Initially funded in FY82, ITEP has not expanded significantly due to many changes. Management improvements and the advent of ITEP, however, are expected to generate full participation. ITEP will be a key feature in the ARNG program to increase MOS qualification.

Training ammunition authorizations in FY84 for the ARNG are 76 percent of requirements ($167 million), a 24 percent increase over the FY83 requirements level. Increases in training unique and pyrotechnic munitions will afford ARNG commanders opportunities to plan for and execute training programs so readiness may be improved. Training with MILES is now being supported at a limited level due to the constrained authorizations of blanks and simulators. Large caliber high cost munitions continue to be authorized at minimum levels which constrain or preclude reprogramming of training not accomplished to standards. This restricts a commander's capability to effect performance oriented training and BTMS techniques.

The availability and effective use of training devices continues to be extremely critical to the ARNG. With limited training time and limited access to optimal training sites, use of training devices and simulators is essential for the attainment and sustainment of individual/unit proficiency at the unit armory. As a result of emergent technology, future training devices may be utilized in lieu of high cost munitions. The initial cost of training devices will be high but long term benefits over will far outweigh those initial outlays. Procurement of MILES equipment for the ARNG in FY84 will have a positive impact on training. However, limited resources exist to address ARNG requirements and shortfalls remain.

The modern weapons coming into the Army inventory are far superior in distance, accuracy, and destructive power compared to the weapons being replaced. Modernization of ARNG local training areas and ranges needs to be accelerated to keep pace with distribution of modern high technology weapon systems to the ARNG. Ranges need to be enlarged and designed for multiple purpose use to accommodate introduction of sophisticated training devices such as lasers, simulators and modern target systems. Additional resources are required to support improvements in training sites and ranges if ARNG units are to meet critical training requirements for pre-mobilization as well as post-mobilization.

Over 30 percent of the Total Army Force's combat aviation assets exist in the ARNG. ARNG aviators are required to meet the same minimum annual flying requirements and standards as their active counterparts. The challenge to ARNG aviation in the 1980s is to meet the individual and crew requirements identified by the Aircrew Training Program and also to train as an element of the combined arms team. To help alleviate this increased training workload and allow aviation units to concentrate on unit and combined arms training, an ARNG Aviation Training Site (AATS) Program was developed. The program was designed to complement current aviation training efforts. The Eastern AATS (EAATS), the first of two AATS, became fully operational during FY83. Its mission is to conduct ARNG individual aviation qualification training not provided by the US Army Aviation Center, but essential to the readiness of ARNG units. The EAATS program will provide post graduate flight training for over 500 aviators per year. The Western AATS is scheduled to be operational during FY87 with its primary mission of supplementing unit tactical training requirements with emphasis on aerial gunnery and attack team training.

The ARNG has experienced an increase in Undergraduate Pilot Training (UPT) quotas from 140 in FY82 to 224 in FY83. The ARNG utilized all UPT quotas during FY83. These quotas will increase during the 1980s and will eventually provide an output of 250 ARNG aviators year per by FY89. The ARNG has seen positive results over the past 2 years since imposing a restriction of 27 1/2 years of age to apply for Initial Entry Flight School. The tradeoff for our highly experienced force of aviators is its steadily increasing average age. The ARNG UPT program is solving the "Aging Aviator" problem and establishes a 20 year life-cycle aviator management program.

In support of vigorous training programs, the ARNG safety/accident prevention efforts are targeted toward the prevention of motor vehicle accidents and personal injuries. Special emphasis countermeasure programs during FY83 impacted on the reduction of both motor vehicle and training accidents. The ARNG motor vehicle accident rate was 2.03 accidents per million miles driven, down from 4.6 in FY82. The FY83 overall accident rate was 1.76 accidents per 200,000 hours of personnel exposure, down from the FY82 rate of 4.2.

The ARNG aviation accident rate in FY83 was 2.00 accidents per 100,000 flying hours, an increase from the FY82 rate of 1.01 which is the lowest rate ever achieved in the ARNG. The FY83 rate compares favorably with a 2.50 aviation rate Army-wide. Aviation safety awareness through better communication with field organizations became a primary goal in FY83. An analysis of the accident experience indicates that human error ranks as the number one factor. To reduce the accident rate, formal safety training and education were emphasized. To fill an obvious void in the safety training system, the ARNG Aviation Mishap Prevention Orientation Course (AMPOC) was developed and taught twice during FY83. AMPOC coupled with an intensive management of available quotas from other sources has paid big dividends in aviation safety awareness. To complement increased awareness, the Regional Accident Prevention Survey Program (RAPS) was totally implemented in FY83. RAPS is a self-help type program to accomplish annual accident prevention surveys of all ARNG aviation facilities. The program creates a network of survey teams that use an ARNG-developed checklist to inspect aviation facilities. All facilities successfully participated in RAPS during FY83.

The National Guard Professional Education Center (PEC) conducted its first course in April, 1975. The purposes of the school are to provide uniform, centralized training for full-time support personnel as it relates to ARNG programs and to increase the capability of those individuals to perform their jobs on a day-to-day basis. Since PEC was established, over 33,000 students have graduated from the school. Among the training offered at PEC are courses for Unit Administrators, Administrative Officers, Operations and Training Readiness Specialists, and Training NCOs. These courses are taught with emphasis on ARNG unique operations, are unavailable anywhere else in the military training arena, provide specialized and very cost effective training, and increase mobilization readiness for the ARNG.

READYING/MOBILIZING THE GUARD

Since FY81, through the first quarter of FY84, ARNG reporting units have increased their combat readiness by 6 percent in training readiness, 2 percent in MOS qualification readiness, and 5 percent in personnel readiness, while equipment on hand readiness was decreasing by 5 percent. To reiterate the problem with regard to equipment, it is not unique to the ARNG but is a basic problem throughout the Total Army Force. In spite of the decrease in equipment on hand readiness, for the third consecutive year, the ARNG has maintained an overall combat readiness rate of over 60 percent for all its reporting units. This accomplishment was achieved during a period of change which uniquely challenged our ability to continue maintaining appropriate force readiness levels. As the Active Army organizes its forces to meet the many worldwide contingencies, the role of the ARNG has increased. More units are being assigned high priority missions and, in some cases, are assigned the requirement to respond to more than one contingency mission. To illustrate the increasingly important role the ARNG has assumed, since FY81 ARNG missions have changed as follows: Intensive Management Force (IMF) units increased from 497 to 1190; units assigned to the RDF have increased five times; Prepositioning of Materiel Configured to Unit Sets (POMCUS) units decreased from 21 to 12 although POMCUS Back-up Forces increased from 6 to 26; Quick Fix Force units increased from 105 to 152; and D to D+30 units increased from 119 to 210. As the review of Active Component missions which could be transferred to the ARNG continues and worldwide contingency needs increase, it can only be assumed that the ARNG's role in the assumption of high priority missions will expand.

The ARNG conducts mobilization exercises to evaluate the ability of units to meet their deployment objectives. Evaluations were conducted for 46 percent of the units selected for ODT in FY82. In FY84 the goal is 100 percent. That goal should be achievable and has been reestablished for FY85. In FY82, a program was begun to evaluate all IMF units over a five year period and every three years thereafter. While several DA actions caused the IMF to expand , the program is on target. Approximately 250 exercises were conducted in FY83 with a budget of $9.0 million. In FY84 over 300 exercises will be conducted and over 350 exercises are planned for FY85 at a cost of $10.7 million. These exercises focus on the immediate postmobilization tasks to be accomplished by ARNG units and STARCs. In FY85, 54 STARCs and over 80 percent of ARNG units will participate in a worldwide Joint Chiefs of Staff mobilization exercise. This exercise will provide the opportunity to examine further the mobilization preparedness of the ARNG and, more specifically, the effectiveness of the ARNG exercise program. Although the current program is considered a success, funding is available only for early deploying units. Resources are not provided for evaluating over 60 percent of the ARNG combat divisions, 50 percent of the separate brigades, and 100 percent of the armored cavalry regiments.

Several mobilization initiatives were begun by states during FY83 which have nationwide implications. One of these involved a mobilization exercise which included the rail movement of 145 M48A5 and M60 tanks. The exercise which was planned and conducted by the Nebraska STARC involved complex coordination between several government agencies including DoD, Military Traffic Management Command, and Anniston Army Depot. This unique approach provided vital training for ARNG members and staffs and resulted in a savings of approximately $400,000 over conventional methods.

SUMMARY

The unstable situation that exists in the world today requires that the ARNG be ready for mobilization at any time. When called upon by the American people to assist in the defense of this country, there will be little time available for training and equipping the force. We have made progress in the past few years and are determined to do our jobs better. We appreciate the effort and concern of Congress in providing the support required by the ARNG to accomplish its mission. Ours is a mutual task.

ARMY NATIONAL GUARD BUDGET

NATIONAL GUARD PERSONNEL, ARMY

The FY 85 National Guard Personnel, Army (NGPA) budget request of $3,075 million provides pay and related expenses for Army National Guard personnel. Table 1 shows Army National Guard personnel strengths. Table 2 shows the NGPA budget categories. The FY 85 request supports a 447,283 personnel end strength or a 3.3% increase over FY 84. Funding includes a recruiting objective of 63,000 Non-Prior Service (NPS) personnel for initial active duty training and 47,000 Prior Service (PS) personnel for a total recruiting objective of 110,000 accessions in FY 85. The full time Active Guard/Reserve (AGR) support force increases to 26,583 (9,951 over FY 84). Funding for National Guard personnel supports increases in Schools and Special Training ($31 million), AGR support ($194 million), extra week of annual training, additional training assemblies and an increase in strength of Pay Group A/P ($50 million). The Incentive Program, which provides enlistment and reenlistment bonuses and educational assistance, amounts to $59 million. Pay Group F, which provides for initial active duty training, is increased by $33 million to provide costs associated with training NPS accessions. The FY 85 request includes $828 million for ARNG retired pay accrual.

TABLE 1

US Army National Guard
(End Strength)

	FY 83 ACTUAL	FY 84 ESTIMATE	FY 85 REQUEST
Pay Group A	377,486	386,315	389,773
Pay Group F	15,515	19,617	20,491
Pay Group P	10,420	10,436	10,436
Full-Time Active Duty	13,757	16,632	26,583
Total	417,178	433,000	447,283

TABLE 2

National Guard Personnel, Army
($ in Millions)

	FY 83 ACTUAL	FY 84 ESTIMATE	FY 85 REQUEST
Pay Group A/P	996	1,070	1,599
Pay Group F	189	217	326
School Training	69	94	138
Special Training	58	80	122
Administration/Support	361	472	890
Total Program	1,673	1,933	3,075
Retired Pay Accrual	-	-	- 828
Total Excluding Retired Pay Accrual	1,673	1,933	2,247

OPERATION AND MAINTENANCE, ARMY NATIONAL GUARD

The funding categories of the FY 85 Operation and Maintenance, Army National Guard (OMNG) appropriation are shown in Table 3. Real growth in FY 85 is approximately 14 percent and occurs as a result of programed force structure modernization, increased support for modernized systems (87) added to the ARNG equipment inventory since FY 83, and readiness improvements. In addition, this appropriation supports a technician and civilian end strength of 24,563 at a cost of $675.9 million, which accounts for 48 percent of the total appropriation request.

TABLE 3

Operation and Maintenance, Army National Guard
($ in Millions)

	FY 83 ACTUAL	FY 84 ESTIMATE	FY 85 REQUEST
Training Operations	152	154	160
Logistical Support	797	775	911
Base Operations	94	93	122
Depot Maintenance	56	54	82
Headquarters and Command Support	58	74	88
Recruiting	22	27	29
Medical Support	8	10	13
Total Program	1,187	1,187	1,405

MILITARY CONSTRUCTION, ARMY NATIONAL GUARD

The FY 85 request for Military Construction, Army National Guard provides for 50 major projects. Included in the major projects are 27 armories, 6 aviation facilities, 4 training facilities, 9 equipment maintenance facilities, 3 U. S. property and fiscal office facilities, and one land acquisition. Table 4 displays the MCNG appropriation by major category.

TABLE 4

Military Construction, Army National Guard
($ in Millions)

	FY 83 ACTUAL	FY 84 ESTIMATE	FY 85 REQUEST
Armory	23	28	28
Non-Armory	21	29	33
Minor Construction	8	8	19
Planning and Design	3	3	9
Total Program	55	68	89

[Questions with answers supplied follow:]

QUESTIONS SUBMITTED BY SENATOR ROGER W. JEPSEN

ACCESSION GOALS

Senator **JEPSEN**. General Temple, the Army National Guard failed to meet its goal for nonprior service accessions during fiscal year 1983. Can you tell me why? For example, are the active forces and the reserve components competing with each other for the same categories of nonprior service accessions, or what is happening?

General **TEMPLE**. The Army National Guard (ARNG) nonprior service/prior service (NPS/PS) accessions program was too ambitious and made a dramatic departure from recent past accession performance and history. Previous and current, ARNG NPS/PS accession mix is approximately a 50/50 mix. During fiscal year 1983, the ARNG's initial NPS/PS accession goal was a 75/25 mix. Analysis of first and second quarters NPS/PS accessions dictated an adjustment of this goal to 55/45. Accession performance, 51/49 NPS/PS mix, during fiscal year 1983 paralleled recent past accession historical performance. Other major factors which hampered the accomplishment of the NPS accession goal were higher quality standards, improving economy and job market and diminishing qualified military available age manpower pool. The ARNG's utilization of full MEPCOM processing and centralized testing has resulted in increased time and effort to achieve an enlistment and only the most qualified applicants being accessed into the force.

The active and reserve component forces are competing for the same categories of NPS accessions from the overall qualified military available manpower pool. However, they are competing for a different type of NPS accession. Systematic differences and characteristics between active and reserve component forces require an NPS accession with a different life style and career goals. For the active forces, military duty is the enlistee's primary livelihood or career. For the reserve component enlistee, military duty is a second job or career which for the most part must accommodate or recognize a different full-time profession as that individual's primary livelihood or career.

TRAINING TIME INCREASE

Senator **JEPSEN**. Gentlemen, I earlier asked both Dr. Korb and Dr. Philbin whether, in light of increasing demands and increasing reliance on the Reserve components, we should begin to consider increasing the amount of time which we now require Reserve components personnel to commit to training or making other changes in the present conditions of Reserve components service.

Would each of you give me your most realistic appraisal of whether the present conditons of service in the Reserve components will provide us with a cohesive, effective fighting force in years to come and what changes we should consider in Reserve components service commitments.

ARMY RESERVE

General **BERKMAN**. I fee that the current program is the best balance between training demands and the recruitability and retention of the citizen soldier. However, the total Army needs the flexibility to increase training times in response to specific demands and missions.

The Army has recognized this requirement and has several programs to increase proficiency and readiness of selected personnel and units. These programs address a variety of issues. Examples of our efforts in this area are:

New Equipment Training provides additional drills for units receiving new equipment such as the UH-60 Blackhawk helicopter. Overseas deployment Training (ODT), provides realistic in-country training to RC units scheduled to deploy in support of overseas contingency plans. Some units, when participating in ODT, conduct up to 26 days of Annual Training (AT). The USAR Counterpart Training program offers selected individuals additional training opportunities with the Active Component (AC). Additional Training Assemblies (ATA) are authorized for airborne units, nuclear capable units and aviation personnel permitting enhancement of technical skills during other than normal unit assemblies.

Individual members of the RC, their families, and their employers generally support this additional training time if proper advance notice is given and if prolonged AT periods are not an annual requirement. The effect on retention within the RC must be carefully considered when any additional training is planned.

There should be no changes in the mandatory drill participation or annual training requirement in the RC. Family and employment conflicts already account for a significant level of attrition in the Reserve components.

Current budget request includes increases vital to the readiness of Army Reserve units. Scheduled increases in full-time unit support personnel and other programs will increase the intensity and quality of unit training during the limited training time available to our personnel.

NATIONAL GUARD BUREAU

General WALKER. The current program is, on the average the best balance between training demands and the recruitability and retention of the citizen-soldier. However, the Total Army needs the flexibility to increase training times in response to specific demands and missions.

The Army has recongized this requirement and has several programs to increase proficiency and readiness of selected personnel and units. These programs address a variety of issues. Examples of our efforts in this area are: New Equipment Training provides additional drills for units receiving equipment, such as the M-1 or M60A3 tank. Overseas Deployment training (ODT) provides realistic in-country training to RC units scheduled to deploy in support of overseas contingency plans. Many units when participating in ODT conduct three weeks of Annual Training (AT). In addition, ARNG round-out units scheduled for training at the National Training Center (NTC) conduct three weeks of AT. Special training such as the Key Personnnel Upgrade Program offers selected individuals additional training opportunities with the Active Component (AC).

The average military training time per individual included in paid drill strength is 46.7 days.

Individual members of the ARNG, their families, and their employers generally support this additional training time if proper advance notice is given and if prolonged AT periods are not an annual requirement. The effect on retention within the RC must be carefully considered when any additional training is planned.

AIR NATIONAL GUARD

General CONAWAY. The Air National Guard's appraisal of the time now required to perform training appears adequate at this time. However, under present conditions and based on the current Air Force tasking, we feel that we have reached the optimum level of training time that can realistically be requested of our personnel. The majority of Air National Guardsmen have careers in the civilian community. At present, we perform our 15 days of annual training, 48 unit training assemblies, 36 additional flying training periods (AFTPs) for mission ready aircrew members, and all other inactive duty for training time provided. It would appear that an increase above the current amount of time required to attend training, would be counter productive to civilian employment pursuits.

QUESTIONS SUBMITTED BY SENATOR STROM THURMOND

FUNDING LEVEL OF RESERVE COMPONENTS

Senator THURMOND. Considering overall budget constraints are our Reserve components funded at the proper level?

General CONAWAY. The Air National Guard's fiscal year 1985 appropriation request will support current mission requirements. Unforeseen changes later in fiscal year 1985 may force requirements to outpace available funding, but at the present time we consider the Air Guard's funding to be adequate.

EXPANSION OF THE NAVAL RESERVE

Senator THURMOND. The Navy is our most costly service to operate. Why not expand the Naval Reserve and give them more missions?

Dr. KORB. We are expanding the Naval Reserve and increasing its missions. The major reason that significant transfers from the active Navy to the Naval Reserve are not appropriate is the same reason for the Navy's cost. We have a forward-deployed naval strategy that requires our ships and airplanes to spend a lot of time operating at sea. In most cases, reservists cannot support such deployed operations.

ENLISTEE RATIO

Senator **THURMOND**. What is the ratio of enlistees to eligible service age personnel? What will this ratio be in 1992?

Dr. **KORB**. In fiscal year 1983, the Department of Defense enlisted 269,200 new male recruits into the active forces. This is equivalent to about 13 percent (1 out of 7.6) of the estimated 2,055,000 men who turned 18 years old in 1983. In 1992, the year in which the fewest young men will turn 18 for the rest of this century, we estimate enlisting about 290,000 young men with no prior military service. This is equivalent to about 17.9 percent (1 out of 5.6) of those turning 18. For comparison, in fiscal year 1974 and fiscal year 1975, the first years following conscription, when anti-military feelings were still prevalent among many youth, there were about the same number of 18 years olds as in 1983, i.e. an average of 2,091,000. In those years, we recruited an average of 372,900 men, also about 1 out of 5.6.

The nonprior service enlistee ratio to eligible service age personnel was 1 to 5,000 in 1983 and is projected to move down to 1 to 3,140 in 1992.

RATIO OF ENLISTEES

Senator **THURMOND**. What is the ratio of enlistees to eligible service age personnel? What will this ratio be in 1992?

General **CONAWAY**. There were almost 12,000 enlistees in the ANG in fiscal year 1983: 5,073 non-prior service; 6,860 prior service, a total of 11,933.

Individuals must be at least 18 but not more than 35 years old to initially enlist in the ANG. Therefore, a primary market is the 18-21 year old group. However, both groups are provided for 1983.

	18-21	18-35
Male	8,507	41,480
Female	8,216	40,985
Total	16,723	82,465

Therefore, the ratio of enlistees to service age personnel is 1:1,394 for 18-21 year olds, 1:6,872 for 18-35 year olds.

There is, however, no method to establish a ratio of enlistees to eligible service age personnel. Eligibility to enlist is dependent on many factors such as physical condition (medical standards), absence of criminal activity, test scores, etc. The ratio of enlistees to service age eligible personnel is therefore an incomplete index of the actual recruiting market that would be fully qualified to enlist.

ANG end strength figures are available only through fiscal year 1989. Therefore, we do not know how many people we will have to recruit in 1992 to satisfy growth requirements. Additionally, we could only give a "ball park" estimate of the losses we would need to replace through recruiting. Finally, population figures available to us only reflect five and ten year periods—i.e., 1980, 1990, 1995, 2000, etc. Even if all information were available, we will would be faced with the same dilemma addressed in the previous question (e.g., members in eligible age groups may not actually meet enlistment standards). Accordingly, we could provide an estimate of the ratio of the number of enlistees to service age personnel. We would not, however, be able to provide a ratio of enlistees to eligible service age personnel.

TRANSFERRING ARMY SUPPORT FUNCTIONS TO RESERVE COMPONENTS

Senator **THURMOND**. Would it be possible to shift more support functions to the Army Guard and Reserve so that our active duty forces can be freed up for more combat roles?

Dr. **KORB**. It is important to remember that combat units are of limited use without their essential combat support. About half of the total Army force structure and 68 percent of its non-divisional combat service support forces are already in the Reserve Components. It would be unwise to greatly increase active reliance upon reserve support at this time.

FUNDING LEVEL OF RESERVE COMPONENTS

Senator **THURMOND**. Dr. Korb, considering overall budget constraints are our reserve components funded at the proper level?

Dr. **Korb**. Based on known program objectives, Air Force Reserve funding is adequate to accomplish minimum essential mission requirements.

RESERVE COMPONENT FUNDING

Senator **Thurmond**. General Berkman, considering overall budget constraints, are our reserve components funded at the proper level?

General **Berkman**. Yes, considering overall Army priorities and budget constraints, the Army Reserve is funded at the proper level.

FUNDING LEVEL FOR ARNG

Senator **Thurmond**. General Walker, considering overall budget constraints, is the Army National Guard funded at the proper level?

General **Walker**. Of course I support the budget as prepared and approved. The Army National Guard Appropriation requests all reflect overall growth of 13 percent over fiscal year 1984, and are in balance to support the established objectives for fiscal year 1985. While I would like to eliminate some of the shortages that are in organizational clothing and equipment, reduce the backlogs in maintenance and repair of training facilities and change the entitlements of the incentives, I believe that the Army National Guard will be funded properly if the budget requests are approved as submitted.

SHIFT SUPPORT FUNCTIONS

Senator **Thurmond**. General Walker, would it be possible to shift more support functions to the Army Guard and Reserve so that our active duty forces can be freed up for more combat roles?

General **Walker**. There are a number of actions currently programmed over the next several years which transfer a significant amount of support functions to the Reserve Components. Both divisional and non-divisional support units are scheduled to be activated in the National Guard through the inactivation of Active Component units and the cancellation of Active Component unit activations. The National Guard can fully support these programmed transfers of missions; however additional shifts of support units from the AC to the RC may be counter-productive. The Active Component combat units must have the requisite support units initially required in case of deployment.

FUNCTION SHIFT

Senator **Thurmond**. General Berkman, would it be possible to shift more support functions to the Army Guard and Reserve so that our active duty forces can be freed up for more combat roles?

General **Berkman**. Total force structure is dynamic, constantly changing as subsequent force concepts, initiatives and budgets are applied. Your proposal to shift more support functions to the Reserve Components is one of the force concepts under study. As structure is transferred from the Active Component to USAR, adequate resources must also be provided.

RATIO REQUIREMENTS

Senator **Thurmond**. What is the ratio of enlistees to eligible service age personnel? What will this ratio be in 1992?

General **Walker**. For males in the 17 to 29 eligible service age group, the Army National Guard will have to recruit 1 of every 251 in 1984 to meet its total accession goal.

Figures are not available for the 1992 period. However, the figures are available for 1990 which illustrate the current trend in the eligible service manpower pool. During 1990, 1 of every 233 males in the 17 to 29 year age group will have to be recruited by the ARNG to meet its accession goal.

Questions Submitted by Senator John W. Warner

COST COMPARISON

Senator **Warner**. Dr. Korb, while I clearly understand that costs vary significantly between types of units, can you give us some general guidelines of the differences in costs of maintaining an active Army unit versus a reserve/National Guard unit?

Dr. KORB. No, I cannot. The more we study this cost comparison question, the more apparent it becomes that it is the specifics that determine unit costs. By specifics, I mean unit mission, unit location, the readiness required of the unit, the manning profile, and all of the other things that contribute to the cost of the unit. I conclude that general guidelines in this area are, at best, misleading.

AVAILABILITY OF MANPOWER

Senator WARNER. Do you agree that demographic projections indicate that, in the future, we will be forced to turn more toward reserve components in order to maintain our current force structure levels?

Dr. KORB. It is true that there will be relatively fewer people in the age brackets from which we normally recruit, but our projections indicate that we can recruit and retain the manpower required as long as pride in military service and fair and equitable compensation are maintained. We will continue to increase our reliance on the Reserve components as essential members of the total force.

ACTIVE MANPOWER GROWTH

Senator WARNER. The Air Force, Navy and Marine Corps all requested significant increases for active duty strength this year. Do you believe that at least some of these proposed increases could be filled satisfactorily by reserve components? What is the impact of doing so?

Dr. KORB. The modest active growth (less than two percent) requested in the budget is to man the new ships, airplanes and other weapons systems previously approved by the Congress. There are also additional support personnel to ensure that the readiness of our more capable force is maintained. The department conducted a major review of this growth and determined that active manpower was required. We will continue to expand and enhance the role of the Reserve components, but we have not identified areas where large-scale transfers from active to reserve are feasible or desirable.

SPECIAL ACTIONS REQUIRED BY THE PRESIDENT

Senator WARNER. Special actions by the President are required for use and deployment of Reserve Forces. Would you discuss these provisions and indicate whether you think we should work to change any of them?

Dr. KORB. There are several key provisions in the law which clearly prescribe Presidential use of Reserve Forces:

A. 10 USC 673(a) and (c).—In time of National Emergency declared by the President, the President may order to active duty, involuntarily, up to 1,000,000 members of the Ready Reserve for not more than 24 consecutive months. (Partial Mobilization)

B. 10 USC 673(b).—When the President determines it necessary to augment active forces for an operational mission, he may order to active duty, involuntarily, up to 100,000 members of the Selected Reserve for not more than 90 days. Within this provision, there is no requirement for a declaration of emergency.

C. 10 USC 331, 332, and 333.—When domestic emergencies arise that may require the use of military forces, the President may call the militia and armed forces as he considers necessary for such purposes as quelling insurrections, domestic violence, unlawful obstructions, and the like. (Selective Mobilization)

There are no special provisions for deploying reserve forces. Once Reserve Forces are ordered to active duty, they become part of the Regular Force and may be used as any other active component.

These provisions are written in a manner that allows the President flexibility to adequately address foreign and domestic emergencies short of those requiring a congressional declaration of emergency. At this time, we see no need to change the existing laws relating to activation of the Reserves.

PERSONNEL SAVINGS

Senator WARNER. While we are continuing to procure equipment that is ostensibly more efficient, we rarely see any indications of personnel savings as a result of such procurements. I'm thinking in terms of computer equipment, which should generate some savings, weapons systems which are more reliable and easier to maintain—could you provide some examples here and perhaps also for the record.

Dr. KORB. Computer equipment procurements often produce significant increases in productivity. For example, DOD is in process of installing systems that will use bar codes in a wide variety of logistics applications. Actions to date related to bar coding have demonstrated productivity improvements in such areas as maintenance job tracking, serial number control of weapons, equipment deployment, property accountability, and materiel distribution. These productivity improvements generally result in increased capability using the same amount of people, i.e., managing more inventory with no increase in people, reducing maintenance backlogs, processing more requisitions, etc. Because personnel reductions are often not incurred, these do not receive the same visibility; but they do represent savings nonetheless.

In general, most major logistics computer equipment acquisitions are intended to replace obsolete, outmoded and unmaintainable equipment. Such acquisitions continue and often exceed the personnel savings initially achieved by the original systems they replaced. However, converting from manual/semi-automated systems to Automated Data Processing (ADP) produced the most significant labor savings; transitioning from older ADP systems to newer ADP systems does not provide commensurate labor savings because we are not substituting capital for labor. In summary, modern systems are being designed not merely to produce personnel savings, but rather to improve performance, correct deficiencies, absorb increased workloads, control investment growth, and improve readiness.

With regard to new weapon systems, in many instances a significant improvement in military capability is being realized with no increase in personnel requirements and, in some cases, with a net decrease due to reliability and maintainability improvements. The F/A-18 aircraft is a good example of a system where improved reliability and maintainability have resulted in direct maintenance personnel savings. The F/A-18 requires approximately 25 percent fewer maintenance personnel per squadron than F-4 and A-7 aircraft.

PERSONNEL IN PROCUREMENT ACTIVITIES

Senator **Warner**. As a result of the spare parts "horror stories" which appeared in the press several months ago, I understand that several of the services have added significant numbers of people to their procurement activities. I fear that we may have even overreacted to this. Could you tell us (or provide for the record) an account of these increases.

Dr. **Korb**. In fiscal year 1984 and fiscal year 1985 a total of 7420 personnel are planned to be added to the roles of various DOD procurement activities to support the Spare Parts Acquisition program—3503 in fiscal year 1984 and 3,917 additional personnel in fiscal year 1985. Of these 7,420 personnel, 1,660 were retained in fiscal year 1985 by the Air Force over and above forecasted workload requirements to prevent the softening of the Air Force Logistics Manpower Base. This action was taken to ensure a logistics manpower base capable of supporting the Spare Parts Acquisition Program without causing degradation of ongoing operations. A breakdown by DLA and the services is as follows:

INCREASED NUMBERS OF DOD PROCUREMENT PERSONNEL

Service	Fiscal year				Total[2]
	1984		1985[1]		
Army	1063		223		1286
Navy	550		185		735
Air Force	1000		3509		4509
Marine Corps	54		....		54
Defense Logistics Agency	836		....		836
Total	3503	+	3917	=	7420

[1] Additional.
[2] Cumulative.

Questions Submitted by Senator Alan J. Dixon

READINESS OF ACTIVE AND RESERVE UNITS

Senator **Dixon**. If we save costs by transferring units and missions from the Active Forces to the Reserves, do we lose some degree of readiness and response time by putting units in the Reserves?

Dr. KORB. The answer depends on the type of unit and the mission assigned. Many Reserve units maintain a high degree of readiness and can be very responsive. In general, as the complexity of the equipment required by a unit increases, the amount of full time support required to maintain it increases. Similarly, some skills require more training time to sustain proficiency than is generally available to reservists.

TRANSFERRING MISSIONS FROM ACTIVE FORCES TO RESERVE COMPONENTS

Senator DIXON. As each of you know, last year Congress directed the Defense Department to seriously consider transferring new or existing missions from the Active Forces to the Reserve components.

General Gill, what specific examples can each of you point to in your respective component where new or existing missions are programmed to be transferred from the Active Forces to the Reserve under the current Five Year Defense Program?

General GILL. The most immediate example is, or course, the already announced transfer of strategic airlift from the Military Airlift Command to the Air Force Reserve. The conversion of our Kelly unit to C-5 aircraft is a concrete example of a near term existing mission transfer. Currently, additional transfer of strategic airlift forces to the Reserve is under review.

In the future, we will experience a significant expansion in the medical and civil engineering fields. All in all, I'm satisfied with both the pace and scope of present and future transfers of missions to the Air Force Reserve.

TRANSFERRING MISSIONS FROM ACTIVE TO RESERVE

Senator DIXON. As each of you know, last year Congress directed the Defense Department to seriously consider transferring new or existing missions from the Active Forces to the Reserve Components.

General Conaway, what specific examples can each of you point to in your respective component where new or existing missions are programmed to be transferred from the Active Forces to the Reserve under the current Five Year Defense program?

General CONAWAY. The Air National Guard is programmed to continue modernizing and robusting throughout the Five Year Defense program.

Beyond what has already been publicly released for fiscal year 1985, the Air National Guard expects to continue increasing Air Base Ground Defense units and contingency hospitals. Our older F-4C units will be modernized with the introduction of the F-4E and we expect to see other units modernizing with F-15s and F-16s. In addition, our programed strength is scheduled to grow from 107,890 in fiscal year 1985 to 116,428 in fiscal year 1989. We will also become involved in strategic airlift missions with the addition of the C-5, C-19, and C-141 to our fleet.

RESERVE EQUIPMENT SHORTFALLS

Senator DIXON. Dr. Korb, you conclude your statement by saying that "Before a major increase in the size and missions of the reserves is undertaken the current force shoould be much more fully resourced."

You also point out that "Substantial funding toward this end is contained within the DOD Five Year Defense program."

Dr. Korb, how much progress will be made toward reducing the $24 billion equipment shortfall in the Reserves mentioned by Mr. Philbin by the end of the current Five Year Defense program?

Dr. KORB. The context of the $24 billion figure needs some explanation. This figure is an aggregation of the submission of the three services: Army, $15.6 billion; Navy, $7.9 billion; Air Force, $1.1 billion.

The shortage between required and on-hand equipment is at least $14.0 billion in fiscal year 1985 exclusive of Naval Reserve ships and aircraft and Marine Corps Reserve aircraft as reported in the National Guard and Reserve Equipment Report for fiscal year 1985.

In the case of the Army, the figure reflects both "modernization shortage," in which units have deployable but not the most modern equipment, and actual shortages, where a unit has either no equipment or non-deployable, obsolete equipment. No complete breakout of the shortages into actual and modernization categories is available. The Army is programming substantial dollar value of equipment for distribution to reserve components over the 5-year program, but the exact figures are still under review. When the Army releases its approved estimates, these will be provided to the committee.

The Navy figure by and large reflects the need to equip the Navy and Marine Corps with employable reserve aircraft fleets. The dollar value of actual equipment shortages for the Navy is minimal (less than $100 million in fiscal year 1984). The Navy has programmed at least $360 million for procurement of equipment for the Naval Reserve. The Marine Corps shortfall for ground force equipment is $314 million in fiscal year 1984, while the Navy has stated that over $600 million in procurement is programmed for the Marine Corps Reserve over fiscal years 1985-1989. The Navy is still reviewing its reserve component equipment requirement and the extent that the fiscal year 1985-89 program addresses this requirement. When the Navy completes this review, the data will be forwarded to the committee.

The Air Force has programmed procurement over fiscal years 1985-1989 to satisfy all of their shortages, except for one helicopter which is no longer in production and certain Electronic Counter Measures (ECM) pods that also cannot be produced in the program.

CHANGES IN THE RESERVE COMPONENT SERVICE

Senator DIXON. General Gill and General Conaway, the Defense Department recently submitted a report to the Congress showing that the Reserves would operate an F-4D squadron for about 72 percent of the cost that it takes to operate an Active F-4D squadron. Assuming these cost savings are accurate, what difference, if any, would there be in these Active and Reserve F-4D squadrons?

For example: Would Reserve F-4D pilots be able to maintain their proficiency across the full range of missions and tactics flown by an Active squadron? Would the Reserve F-4D have a greater response time in the event of crisis or mobilization?

AIR NATIONAL GUARD

General CONAWAY. Air National Guard F-4D crewmembers (pilots and weapon system officers) are able to maintain proficiency across the full range of missions and tactics required by the Air Force. Except for night weapons delivery training (for which the Air National Guard is not tasked), the missions are the same as those flown by any active fighter squadron.

Furthermore, an Air National Guard squadron is tasked with the same response time criteria in the event of crisis or mobilization as an Active tactical fighter squadron. The Air National Guard is fully prepared and capable of meeting the current response time criteria.

AIR FORCE RESERVE

General GILL. The cost savings you referred to are primarily a result of having a reduced peacetime flying activity rate in the Reserve. This helps reduce both personnel and O&M costs.

Now, as far as the proficiency of our F-4D aircrews is concerned, they must meet the proficiency levels established by the active duty gaining major command. Our record during operational readiness inspections and exercises, such as Red Flag, attest to the success of our current tactics training and warfighting capability. Our units train to their wartime tasking which is generally similar to the tasking of other F-4 units. Unlike some active units, however, we are not tasked for nuclear weapons delivery and we currently perform limited night training.

In regards to response time, as a general rule, a Reserve unit has 24 hours to mobilize and 72 hours in which to deploy. This is slightly longer than active units because the majority of our people are civilians employed in surrounding communities and, therefore, not centrally located.

ROLE OF ASD (MI&L) AFFECTING RESERVE COMPONENTS

Senator DIXON. Dr. Korb, now that a separate Assistant Secretary of Defense for Reserve Affairs has been created, what role, if any, will you as Assistant Secretary of Defense for Manpower, Installations and Logistics have in matters affecting the Reserve Components?

Dr. KORB. The revised charter for my office makes it very clear that the incumbent bears responsiblity for management of all DOD manpower, installations and logistics. Thus, I play a major role in support of all components of the total force.

TRANSFER OF MISSIONS TO RESERVES

Senator DIXON. What specific examples can you point to in each of the military services where new or existing missions are programmed to be transferred from the Active Forces to the Reserves under the current Five Year Defense Program?

Dr. KORB. The Department just submitted a major report to this committee on this very subject. Two prominent examples are the Air Force creation of a C-5 airlift squadron in the Reserve Components and the Naval Reserve frigate program.

ACTIVE AND RESERVE FIGHTER SQUADRON CAPABILITIES

Senator DIXON. Would a Reserve F-4D squadron be able to maintain the same level of readiness and capability as an Active F-4D squadron? Would the Reserve F-4D pilots remain as proficient across the whole range of F-4D missions and tactics as their active counterparts?

Dr. KORB. There are three capabilities of active squadrons which Reserve squadrons lack because of the time required to acquire and maintain them. Reserve squadrons do not handle nuclear weapons. They do not train to meet low threat conditions at night. They do not have the most recent navigation and target acquisition equipment. All of these capabilities could be added to Reserve squadrons by adding to their manpower and equipment and, thus, costs.

RESERVE COMPONENTS ASSUMING A LARGER SHARE OF ACTIVE MISSIONS

Senator DIXON. General Conaway, do you think Congress is correct in urging the Defense Department to transfer new and existing missions from the Active Forces to the Reserves?

Is your component capable of assuming a larger share of certain active missions, or are you currently stretched too thin?

General CONAWAY. The USAF has, undoubtedly, the best reserve program in the Department of Defense. In support of a Total Force Policy, programs are under constant review with a goal of maintaining the best Active Reserve Mix possible. The combat ready status of the Air National Guard is testimony enough on how well this program works. We welcome the congressional interest in this area. It has served as a catalyst to ensure our continued efforts towards maintaining an effective force in the Air National Guard at current levels of growth.

The Air National Guard is ready to accept the challenge of new missions. However, our currently programmed growth in strength, modernizations and robusting of our existing units have the Air National Guard assuming what we believe to be a proper balance between the active Air Force and the Air National Guard.

Senator DIXON. Dr. Korb, do you think Congress is correct in urging the Defense Department to transfer new and existing missions from the Active Forces to the Reserves?

Is your Component capable of assuming a larger share of certain active missions, or are you currently stretched too thin?

Dr. KORB. I believe that attaining the proper mix between active and reserve forces should be, and has been, a matter of continual review by the services, the Department of Defense and Congress. When considering the transfer of a mission to the reserve forces, we must ensure that that particular mission is an appropriate Reserve mission. This generally means that the mission must be one which allows us to maintain the required wartime capability by training on a part time basis. This lower peacetime activity level makes the Reserve cost effective. If we start to absorb peacetime intensive missions, our cost savings disappear because we need more and more full time people to accomplish the peacetime mission requirements. In addition, we must also ensure that we have enough of the mission in the active forces. This provides a deterrent factor and also provides the reserves with personnel already experienced and trained. If the mission is a viable candidate for transfer, we must ensure that the transfer is done programmatically. This gives us lead time to do demographic studies to ensure we locate the mission at the proper location, to accomplish required construction, and to recruit and train the required people. The last thing I want is to take on a mission in which I can't recruit the required number of people in the correct skills or a mission in which I can't train the people to their required wartime proficiency level.

As far as additional missions are concerned, we are already looking at large increases in areas such as medical support and civil engineering as well as taking on new flying missions such as the equipped strategic airlift mission. In some locations, we will be challenged to keep up with increased requirements. On the other hand, there are some locations where we could recruit and support an increased Reserve population and there are locations where a fleshout of aircraft is doable now.

TRANSFER OF MISSIONS

Senator DIXON. General Temple, do you think Congress is correct in urging the Defense Department to transfer new and existing missions from the Active Forces to the Reserves? Is your component capable of assuming a larger share of certain active missions, or are you currently stretched too thin?

General TEMPLE. Current programs assigning new and existing missions to Reserves are correct. The Army National Guard is programmed to receive several such missions over the next few years as the result of mission transfer from the Active Component and the cancellation of the activation of Active component units. The ARNG can support the current and programmed mission transfers; however additional transfers, above what is now programmed would jeopardize the existing balance between the AC and RC, Combat and Support, and forward deployed and CONUS stationed. Such a move would probably by counter productive to the Total Army.

FULL TIME SUPPORT

Senator DIXON. General Walker and General Berkman, both the Army Reserve and the Army National Guard have requested large increases in the number of Full Time Support military personnel. The Army Reserve increase of 6,000 is a 66 percent increase over the fiscal year 1984 level. The Army National Guard increase of 9,951 is a 60 percent increase. These are both large increases. Do you have any hard evidence that increasing the number of full-time support personnel has actually made a tangible difference in improving unit readiness in the Army Selected Reserve units?

General BERKMAN. Hard evidence that cannot be refuted is not available at this time. Full-time support personnel includes both Active Guard/Reserve (ACR) personnel and military technicians (MT). The consensus of commanders of all levels of command indicate that there has been significant improvement in readiness in units during the period fiscal year 1980 through fiscal year 1983 by the assignment of AGR personnel. The assignment of AGR personnel has brought a great deal of the latest high technology skills which can only be gained by working with new equipment and technology associated with the active component. This type of training is generally not available to the MT except during periods which the MT may be on active duty for training. For example, the AGR personnel have not been constrained by rules pertaining to compensatory time and overtime pay as are the MT which has added to the overall readiness of units to which they are assigned. One ingredient of the total package to increase readiness should not be looked at in isolation. The Active component, AGR and MT are all important elements which improve the readiness of U.S. Army Reserve units.

General WALKER. Hard evidence that cannot be refuted is not available at this time. However, from fiscal year 1980 through fiscal year 1983, units with increased levels of Full-Time Support (FTS) have had a significantly higher combat ready ratio than those without increased FTS. As intuitively anticipated, early indications are that significant improvements in all areas, including readiness, will be shown as a result of additional full-time support being added. FTS is one ingredient of the total package that is necessary to improve and to sustain readiness in selected reserve units. An increasing number of high priority units and headquarters are intensively managed and resourced with new and additional equipment, strength incentives, additional training time and and exercises. In addition they must work very closely with and maintain close coordination with their Capstone alignment units and headquarters. Successful utilization of all these resources is dependent on the units having adequate full-time support. One ingredient of the total package to increase readiness should not be looked at in isolation. All are required to improve readiness of ARNG units.

OFFICERS WITH COMBAT EXPERIENCE

Senator DIXON. I understand that a recent study indicates that only ½ of 1 percent of National Guard officers, in command of National Guard battalions, have combat experience. Is this figure correct? If not, what is the correct figure?

General TEMPLE. I am unaware of the study referred but can state the combat experience of ARNG battalion commanders is far greater than ½ of 1 percent. More than 20 percent of the 542 ARNG battalion commanders have actual combat experience and an additional 5 to 10 percent have served on active duty for extended periods not in a combat zone.

MISSION TRANSFER

Senator **Dixon**. (To each Reserve component witness) As each of you know, last year Congress directed the Defense Department to seriously consider transferring new or existing missions from the Active Forces to the Reserve components.

What specific examples can each of you point to in your respective component where new or existing missions are programed to be transferred from the Active Forces to the Reserve under the current Five Year Defense program?

General **Berkman**. The fiscal year 1985 program currently includes 7 actions which transfer new or existing missions from the Active Army to the Army Reserve. These actions consist of activating five engineer companies, one medical company, and one field service company. There are several additional actions programed between fiscal year 1986-89 which will be reviewed and revalidated based on implementation of Light Division and Army of Excellence initiatives.

Senator **Dixon**. Do you think Congress is correct in urging the Defense Department to transfer new and existing missions from the Active Forces to the Reserves?

General **Berkman**. My personal opinion is that the transfer of missions from the Active Army to the Reserve is a viable concept provided the Active Component is not reduced below its currently structured levels. This approach will permit the Active Army to reallocate structure to other high priority missions. Transfer of specific missions must be carefully evaluated based on type mission and prudent risk factors.

Senator **Dixon**. Is your component capable of assuming a larger share of certain active missions, or are you currently stretched too thin?

General **Berkman**. The Army Reserve is capable of assuming a larger share of certain active missions provided adequate resources are provided. Any plan must be carefully evaluated and phased to preclude large rapid program changes. Phased plans would also permit reevaluation of USAR ability to support a growing demand for personnel resources based on changing economic conditions.

TRANSFER OF NEW/EXISTING MISSIONS

Senator **Dixon**. As each of you know, last year Congress directed the Defense Department to seriously consider transferring new or existing missions from the Active Forces to the Reserve Components. What specific examples can each of you point to in your respective component where new or existing missions are programed to be transferred from the Active Forces to the Reserve under the current Five Year Defense program?

General **Temple**. Department of Army is implementing the congressional guidance through the inactivation of Active Component units with the concomitant activation of these units in the Reserve components. Additionally, the inactivating active unit will transfer its set of equipment to the activating Reserve or Guard unit. Primarily centered around Combat Support and Service Support units, type units to be activated in the ARNG under this program in fiscal year 1985 are as follows: Engineer Battalion (Combat Heavy); Light/Medium Truck Co.; Engineer Co (Float Bridge); Engineer Co (Combat Heavy); Field Artillery Battalion (8"); Field Service Company.

Type units programed to be activated in fiscal year 1986-89 under this plan: Engineer Co (Float Bridge); Cargo Documentation Team; Contract Supervision Detechment; Ambulance Company.

TRAINING DIVISION MOBILIZATION EQUIPMENT

Senator **Dixon**. Should the 85th Division have to mobilize next month, is their equipment adequate to enable them to fulfill this mission? How long would it take to get the 85th Division the necessary equipment?

General **Berkman**. I would like to preface my answer with the fact that Army Reserve units are only issued equipment to fill their authorized peacetime level for training. Therefore, the answer to your question is no. Upon mobilization, the Army will provide the equipment, in priority sequence, to training divisions to perform their wartime missions.

The initial mission for the 85th Training Division at mobilization is basic training (BT). They assume their armor one station unit training (OSUT) mission approximately 13 weeks after mobilization. The Army will provide armor OSUT equipment to meet this schedule.

Senator DIXON. When does the Army intend to upgrade the equipment of Reserve Army Training Divisions? As an example, the 85th Division presently has only eight M48A5s, and only eight M60A1 (training) tanks to train their Reserve personnel. Yet this unit is required to assume the responsibility of training personnel, at Fort Bliss, in the use of modern equipment which they do not have.

General BERKMAN. The Army has an ongoing program to provide current generation equipment to the Army Reserve training divisions commensurate with their missions. For example, M60A3 tanks were recently issued to the 100th Training Division and M113A2 armored personnel carriers were issued to the 91st Training Division. The mission of the 85th Training Division is to train replacement personnel as Cavalry Scouts and Armor Crewmen. The equipment presently authorized is appropriate for this mission.

COMMAND EXPERIENCE IN THE ARMY RESERVE COMPONENTS

Senator DIXON. Why has the Army structured its reserve policy in such a fashion that almost all the National Guard units are combat arms versus the Army Reserve units which are 95 percent combat support or training units? Given the fact that the Reserve units have more combat-experienced officers and enlisted personnel, shouldn't this practice be changed?

Dr. PHILBIN. In 1967 after unsuccessful attempts by the Army and Secretary of Defense to gain congressional approval to eliminate and merge the U.S. Army Reserve (USAR) into the Army National Guard (ARNG), a plan was developed by the Army to bring the Reserve Components in line with mobilization requirements. Accordingly under the 1967 plan a 1968 end strength of 660,000 drilling Guard and Reservists would be established. The Guard would consist of mostly combat units because they had the preponderance of combat structure while the Army Reserve would have only combat support and combat service support units. Furthermore, the Army Reserve would retain its Training Divisions. The plan was approved by Secretary McNamara on 2 June 1967 and submitted to Congress. The plan met with little opposition in Congress except that the committee on Armed Services insisted that some combat units be retained in the Army Reserve. Resultingly, a compromise was developed which placed three combat brigades along with infantry, artillery and combat engineer battalions in the USAR.

Combat experience relates not only to experience gained while assigned to combat units in a hostile area but also to experience gained while assigned to support type units. Presently the Guard and Reserve can only automatedly identify Vietnam veterans but can not automatedly determine their duty assignment (combat, combat support or combat service support) while serving in combat. Identification of these duty assignments would require a manual check of each individual's personnel record, a costly involved process, and serve no real purpose as prior service combat experienced personnel voluntarily join those Reserve Component units which are located in their home town areas. Furthermore, combat experienced personnel are not only a transient commodity but also a non-renewing resource. Based on these facts, it would not be considered practical or cost effective to reorganize and realign unit structure between these two components.

COMBAT EXPERIENCED BATTALION COMMANDERS

Senator DIXON. How many Reserve officers presently commanding Reserve battalions have combat experience?

General BERKMAN. A survey conducted by the U.S. Army Forces Command (FORSCOM) shows that we currently have a total of 200 officers in command positions who have combat experience in 374 battalions and battalion size units within the U.S. Army Reserve.

QUESTIONS SUBMITTED BY SENATOR SAM NUNN

RESERVE C-5A SQUADRON

Senator NUNN. General Gill and General Conaway, I understand the Air Force Reserve will receive C-5A's beginning in fiscal year 1985. Where will the first Reserve C-5A squadron be based?

Why was Kelly Air Force Base chosen as the first site?

What other Air Reserve and Air Guard bases will receive C-5A's?

General CONAWAY. We are currently running an indepth survey of Guard bases in order to prioritize locations for future beddowns. The unique requirements for the

C-5 require that we approach the issues of where, when, and how many only after careful analysis. Existing facilities which will accommodate the C-5, future land use plans, available land for expansion and recruiting potential are only a few of the many variables we will have to consider with each C-5 beddown decision.

General GILL. The first Reserve C-5A squadron will be located at Kelly AFB, Texas. Kelly AFB was chosen as the first site mainly because of the area's outstanding recruiting potential and because Kelly AFB already has a large Reserve C-130 unit which will provide the nucleus for the C-5 unit. Additionally, Kelly AFB possesses several facilities which can be utilized by the C-5A unit. Finally, Kelly AFB is the location of the C-5A depot. The depot personnel and support equipment will provide invaluable assistance during the conversion period from C-130s to C-5s.

We, in conjunction with the Air National Guard and Active Air Force, are currently studying several beddown proposals for additional C-5 units in the reserve forces. At this time, the Air Force has not reached a decision on the location of additional units.

ABILITY TO OPERATE AND MAINTAIN THE C-5A

Senator NUNN. General Gill and General Conaway, do either of the Air Force Reserve or the Air National Guard have any reservations about their ability to operate and maintain the C-5A?

General CONAWAY. We have no reservations about the ability of the Air National Guard to operate and maintain the C-5A as may be required by the Air Force.

General GILL. The C-5A will provide many challenges to the Air Force Reserve. During the conversion period, while we are training our people, building our facilities, and acquiring the required support equipment, the support and assistance of the Active force will be absolutely necessary. However, because of the stability and experience of our Reservists, I do not expect any insurmountable problems in operating and maintaining the C-5A once we complete the conversion period.

TRANSFER OF C-141 SQUADRON

Senator NUNN. General Gill and General Conaway, the Conference Report on the fiscal year 1984 Defense Appropriation Act directs the Air Force to transfer one C-141 squadron to the Air Force Reserve and the C-141 squadron to the Air National Guard by the end of fiscal year 1984.

As far as you know, does the Air Force plan to carry out this direction of the Congress? When will it be carried out and how many C-141 aircraft will be transferred?

General CONAWAY. The Air National Gurard, Air Force Reserve, Air Staff and Military Airlift Command are involved in on going discussions on how best to implement the transfer of the C-141 from Active Forces to the Guard and Reserves. We are working on a mutually acceptable program which will allow us to accomplish required facility upgrades prior to delivery. We will provide the Congress with a delivery schedule which will address timing and numbers of aircraft we can absorb as soon as plans are finalized. However, current surveys of facilities, training, logistics and manpower indicate that a late fiscal year 1984 delivery may be a bit optimistic due to lead time for construction and spares.

General GILL. The Air Force is currently working on a plan to transfer additional strategic airlift assets to the Reserve forces. It is my understanding that the plan will be completed and a response to Congress by the 1 June deadline.

ABILITY TO OPERATE AND MAINTAIN THE C-141

Senator NUNN. General Gill and General Conaway, do either of you have any reservations about the ability of the Air Force Reserve and the Air National Guard to operate and maintain the C-141 at any operating tempo that might be required?

General CONAWAY. We have no reservations about the ability of the Air National Guard to operate and maintain the C-141 as may be required by the Air Force.

General GILL. As for the Air Force Reserve, we have been actively involved in flying and maintaining the C-141 in the Associate role since 1968. In fact, at about any period of time, one-third of the crews on missions in the C-141 are Reservists. Today, about 50 percent of strategic airlift crews are Reservists and we also have about 40 percent of the C-141 maintenance. Since 1968, we have gained a great deal of operational and management expertise in the strategic airlift mission. We have often proved our responsiveness during real world situations, most recently in support of the operations in Grenada. I am confident that we will continue to provide proficient, well trained personnel whenever required for wartime or peacetime emergencies.

However, you must realize that we do not envision maintaining the same peacetime flying hour rate as presently flown by an active/associate squadron. The active units must fly at a higher peacetime rate to allow them to experience their force. This experienced force becomes, in part, the people we recruit after they leave the active service. As a result, we can reduce our flying hour rate for peacetime training.

USE OF RESERVES IN ICBM SILOS

Senator NUNN. General Gill and General Conaway, has any consideration ever been given to using Guard or Reserve forces to help man ICBM silos? Why wouldn't this be an area where we could make greater use of the Reserves?

General CONAWAY. Full-time manpower intensive missions such as the manning of ICBM silos have been looked at as possible uses for the Air National Guard. The idea of manning silos was rejected because there would not be any cost savings realized by switching this mission from the active Air Force to the Air National Guard. Traditionally, the Air National Guard has been utilized as a mobilization asset to robust the active Air Force during periods of conflict. The part-time citizen-soldier concept has proven to be one of this country's most valuable assets time after time. Gaining new full-time missions tends to erode the part-time nature of the Air National Guard, and we tend to lose our identification as citizen soldiers.

General GILL. Yes, sir, that area has been looked at before, but it just doesn't appear to be a mission suited to the reserves. The main drawback to manning ICBM silos is that it is a full-time, around-the-clock mission. Whether the active force or a reserve force mans it, it's still a full-time mission, and any full-time mission will cost the same in either the active or the reserve forces. In fact, due to the intensive qualification and proficiency training requirements of missile crews, it could cost slightly more to man this mission with reserve forces.

MARINE CORPS LAWYERS

Senator NUNN. What is the justification for the senior Marine Corps lawyer to be a General Officer? Since the Marine Corps is requesting shifts in General Officer slots, why couldn't this position be a lower grade? For example, I understand that the senior Medical officer and senior Chaplain at HQMC are O–6's. Why couldn't the senior lawyer be an O–6?

General OLMSTEAD. In response to your first part of your question, I would like to attach to the record a copy of the General Officer Position Criteria Analysis for our Director, Judge Advocate Division billet. This document contains the justification for our one-star judge advocate billet. The analysis was prepared in March, 1983.

Concerning the second part of your question, the Marine Corps is seeking approval for two additional three star billets. If approved, we would reduce the number of major generals on active duty to fill these billets. Downgrading the Director, Judge Advocate Division billet would not enable us to fill an additional three-star billet.

Regarding the last part of your question, the senior medical officer attached to the staff of the Commandant of the Marine Corps is a commodore (O–7); the senior chaplain is a Navy captain (O–6). There are essentially three reasons why the senior Marine judge advocate should be a general officer. First, the responsibilities of the billet require a general officer. Second, a general officer is required to effectively interact with five Air Force, six Army, and three Navy flag and general officer lawyers. Finally, the retention program for Marine Corps lawyers would be handicapped without a career potential to advance to general officer. Presently, the Director, Judge Advocate Division, is the only general officer billet to which a Marine Corps judge advocate may logically aspire.

Senator NUNN. How many Marine lawyers serve in HQMC, in other headquarters and in base and installation positions? How many are actually assigned to fleet Marine force deploying units?

General OLMSTEAD. 141 judge advocates are actually assigned to the Fleet Marine Force, that is, 35 percent of all judge advocates. The remaining judge advocates serve in legal services organizations, at bases and installations, and other headquarters, such as: Office of the Judget Advocate General of the Navy; Navy-Marine Corps Trial Judiciary (that is, special court-martial and general court-martial judges stationed around the world); 10 Marine Corps Bases, Recruit Depots, and Air Stations and various schools; United States Pacific Command.

It should be noted that many judge advocates assigned to these organizations directly or indirectly support Fleet Marine Force deploying units; for example, twenty-two military judges, the judge advocates with the seven overseas Naval Legal Services Office and twelve appellate counsel and appellate judges. Others devote part of their energies to support of the Fleet Marine Force.

Seventeen judge advocates serve at Headquarters, U.S. Marine Corps; seven serve in other high-level headquarters.

Senator NUNN. How may civilian lawyers are employed by the Marine Corps and could that number be increased so the military component could be decreased?

General OLMSTEAD. At present the Marine Corps employs ten civilian attorneys primarily to advise on Government acquisition, facilities and real property, and financial management matters.

The limited experience we have had with civilian attorneys filling billets that now utilize Marine Corps lawyers has generated some problems. As a general rule, the entry grade level of GS-12 for these billets has been slow to attract the quality and maturity of individuals required to provide needed legal support for the command. Additionally, civilian (GS-12) attorney positions tend to experience significant personnel turbulence with incumbents occasionally leaving for better paying positions because we cannot offer a definitive career progression ladder. As a result, these positions sometimes remain vacant for extended periods, forcing Marine judge advocates to fill the gaps.

Finally, civilian attorneys may not be assigned to military justice duties or duties outside their position descriptions, and their work hours are more rigidly regulated, with the result that their employment reduces flexibility and responsiveness in providing legal services.

Senator NUNN. What roles and functions do the Marine lawyers perform that are not performed by their Navy counterparts? What unique roles do they perform?

General OLMSTEAD. Although Marine lawyers perform essentially the same legal functions, and have the same legal training as their Navy counterparts, Marine lawyers differ by their status as unrestricted line officers who are trained to assume traditional leadership duties required of all unrestricted line officers in the Marine Corps. For example, they are able to, and have, assumed duties on short notice as infantry officers in combat as well as peacetime. This feature of their training and qualifications preserves for the Marine Corps a flexibility with respect to assignment not found in military services with a structured "Judge Advocate General's Corps." Approximately thirteen judge advocates are serving in non-lawyer billets, such as battalion executive officer, staff secretary to the commanding general of a base overseas, as an officer plans officer dealing with laws and legislation pertaining to officers.

The quality of legal services is enhanced across the board because the Marine laywer has a detailed appreciation of the structure of, and exigencies of life in, the Marine Corps. Defendants in courts-martial and respondents in administrative proceedings benefit because their counsel can more easily develop the defense strategy and arguments that will enable the client to make the best possible defense and most appealing case. Moreover, soundness of legal advice to the commander is enhanced. It has been, and continues to be, the experience of the Marine Corps that lawyers, serving as unrestricted line officers, are in a better position to render sound advice that is accepted with trust and confidence.

Two judges of the United States Court of Military Appeals have stated that marine judge advocates do better than other judge advocates at oral appellate argument, because they understand the facts of service life and relate the law to the facts in a more persuasive way, unlike attorneys who are merely uniformed and briefed for several weeks on innumerable topics before being thrust into their initial assignment.

Additionally, the Marine Corps administers its own set of regulations and directives under overall guidance of the Secretary of the Navy. If the Navy assumed all Marine Corps represenation, its attorneys would have to be familiar not only with Navy directives and personnel manuals but also with dissimilar Marine Corps documents. Each time a new Navy attorney was assigned duty with the Marine Corps, he or she would have to be reeducated and retrained. Such a procedure would be costly and burdensome, and would probably result in a group of Navy attorneys being assigned only to Marine Corps commands, throughout most of their career, so that they could develop a level of expertise.

Senator NUNN. How many Marine reserve lawyers and legal units are there and could they provide any of the active Marine Corps legal requirements?

General OLMSTEAD. There are 243 Reserve judge advocates. Of these, 54 are in the 11 drilling units and 112 are in the 12 Mobilization Training Units (MTU). The remaining 77 are Individual Ready Reservists. MTU's are units which meet on a regular basis for training; their members do not receive pay for those meetings, but do get Reserve retirement points.

The Reserves already provide a substantial amount of support for active duty legal requirements. Drilling Reservists and those Individual Ready Reservists who participate in Reserve Counterpart Training directly assist major active duty commands while they prepare for duty in their mobilization assignments. Furthermore, the Mobilization Training Units provide legal services to Reserve units in places which are far from major commands and therefore difficult to support with active duty judge advocates. Reservists also provide legal assistance to active duty Marines, dependents and retirees.

The primary mission of the Reserves, of course, is to provide the additional manpower needed during national emergencies. To the extent we convert this mission to the fulfillment of peacetime requirements; that is, reduce the active force by utilizing reserves, we reduce the manpower available for contingencies. We believe that we have achieved a nearly optimal Regular-Reserve judge advocate mix.

Senator NUNN. How many lawyers does the Marine Corps have and why do you require that many? What was the number for the past 5 years and what is the number projected for the next 5 years? Has the ratio of lawyers to the total number of Marines been increasing or decreasing?

General OLMSTEAD. The Marine Corps has 401 certified judge advocates on active duty. In addition, we have 29 lawyers at various stages in the judge advocate training pipeline for a total of 430 active duty lawyers. Our fiscal year 1984 requirement for judge advocates is 443.

We determine our judge advocate requirement by the same methodology that we use to determine officer requirements in other unrestricted officer fields. The major requirement for Marine Corps judge advocates is in the field of military justice—as trial counsel, defense counsel, review officers, appellate counsel, trial judges, appellate judges and administrative duties required by the military justice system. Other principal areas of utilization include administrative law; international law, including the law of war, and legal assistance. Billets requiring judge advocates are validated in tables of organization based on grade criteria and workload measurement. Through a factoring process, the number of officers called for by validated tables of organizations is adjusted to reflect the judge advocate community's share of manyears for training, travel, and hospitalization and unrestricted officer billets, on the one hand, and fiscal constraints, on the other. The result is a realistic requirement for judge advocates.

The number of judge advocates and student officer-lawyers on active duty at the end of the past five fiscal years was: For 1979 473; 1980 430; 1981 388; 1982 409; 1983 394.

The number of judge advocates projected for the next five fiscal years is: For 1985 446; 1986 451; 1987 453; 1988 453; 1989 453.

The ratio of judge advocates, including student officer-lawyers, to the total number of Marines has deceased in the past 5 years from 2.6 per 1,000 Marines in fiscal year 1979 to 2.0 per 1,000 Marines in fiscal year 1983.

Senator NUNN. Has the Marine Corps ever conducted any analysis of whether or not the Navy could assume most of the services provided by Marine lawyers similar to the naval support in the medical and dental area?

General OLMSTEAD. There have been several studies of the question whether Navy judge advocates could assume most of the duties now provided by Marine judge advocates. The consistent conclusion has been that the commander's responsibility for discipline, law, and morale, the Marine Corps' unique standards, customs, and traditions, and the desire to secure the most effective legal advice and representation militate against such an arrangement.

The relation of a commander to his lawyers is considerably different from that of his relation to doctors, dentists, and chaplains. The latter deal with individual sailors and Marines on personal matters which, (unless an epidemic exists), do not affect the unit as a whole. Lawyers, on the other hand, address problems that are at the very essence of command. Commanders interact regularly with their judge advocates and turn to them for frequent advice on a myriad of matters. When, where, and how a commander holds various types of inspections often turn on legal determinations. Upon advice of their lawyers, commanders may decide to: order investigations, refer a Marine to trial by court-martial, or dismiss a civilian employee. Certain statutory provisions require commanders to consult their lawyers before taking action, e.g., acting on the results of courts-martial. Although many of these decisions admittedly involve individuals, the implications of those decisions go beyond the comparable outcome of the individual doctor/patient episode, in that command decisions on legal matters often signal what types of conduct are tolerated/not tolerated and whether such will be punished.

It is natural not only for commanders, but also for individual Marines to be greatly concerned about the timeliness of their legal advice, the background and identity of its source, and thus the confidence they may place in it. We repose greater trust and confidence in lawyers who serve full time as Marines, who share the same military education, training, customs and traditions, who live and work under the same conditions—who, in short fully understand their "client."

Further, the Department of the Navy as a whole might be denied a significant part of the lawyer market by denying a career for lawyers in the Marine Corps. Those students who are particularly attracted to the Marine Corps, or indeed who just do not desire to go into the Navy, would doubtlessly turn to the Army or Air Force. A previous study concluded that many would want the Marine Corps or no service at all. Thus, not only the Marine Corps, but the Department of the Navy as a whole, would be denied this part of the solution to the problem of lawyer procurement and retention.

Finally, our analysis of this course of action has shown that little, if any, economy could be achieved by arranging to have basic legal services provided by the Navy because there is no duplication of effort among Marine lawyers and other legal organizations in the Department of the Navy.

Senator NUNN. In terms of the Marines requested increases in end strength, what opportunities exist to shift lower priorities to the Reserves or to have portions of current needs met by other Services? For example, couldn't the Marine Corps create some headroom for the requested increases needed for the LAV units by shifting some lower priority requirements to the Reserve?

General OLMSTEAD. The Marine Corps makes conscious, calculated decisions concerning which capabilities should reside within the active or reserve component. We believe that the active/reserve mix that will result from the approval of the fiscal year 1985 budget is the proper balance of the two elements of our total force. Only those forces essential to execute approved contingency and readiness missions within specified, limited time constraints are retained or placed in the active component; all others are located in the reserve. Additional active duty forces cannot be placed in the reserve without degrading the Marine Corps' ability to meet its contingency missions with the necessary strength and within the prescribed time constraints. The Marine Corps continuously reviews its requirements to ensure that the proper total mix is maintained. In fiscal year 1985, for example, we determined that structure growth was needed in the form of two Civil Affairs Groups, two salvage platoons, one bridge platoon, and one Air Naval Gunfire Liaison Company. Since these units are not required to be prepared for immediate deployment, they will be added to the Marine Corps Reserve. In another vein, our long range aviation master plan calls for the transfer of a Medium Helicopter Squadron (CH-46) from the reserve to the active force, while simultaneously transferring a Heavy Lift Helicopter Squadron (CH-53D) from the active component to the reserve. This reflects the need for increased tactical lift for active duty forces. We will continue to maintain an active/reserve mix that balances cost with the necessity to satisfy readiness requirements.

In addition to maintaining the most effective active-reserve mix, the Marine Corps also makes better use of its active duty personnel by drawing on support from other Services in areas that we cannot accomplish economically or efficiently by ourselves. Some examples of these areas include medical and dental support, aircraft procurement, some family housing and certain types of training.

Senator JEPSEN. This meeting is adjourned.

[Whereupon, at 12:39 p.m., the subcommittee adjourned, subject to the call of the Chair.]

DEPARTMENT OF DEFENSE AUTHORIZATION FOR APPROPRIATIONS FOR FISCAL YEAR 1985

THURSDAY, MARCH 22, 1984

U.S. Senate,
Subcommittee on Manpower and Personnel,
Committee on Armed Services,
Washington, DC.

MILITARY COMPENSATION

The subcommittee met in open session, pursuant to notice, at 10:23 a.m. in room SR-232A, Russell Senate Office Building, Senator Roger W. Jepsen (chairman) presiding.

Present: Senators Jepsen, Exon, and Dixon.

Staff present: Patrick A. Tucker, counsel; Richard D. Finn, Jr., and David S. Lyles, professional staff members; Patricia L. Watson, research assistant; Mary J. Kampo, staff assistant.

Also present: Ronald P. Kelly, assistant to Senator Humphrey; James H. Dykstra, assistant to Senator Cohen; Jim Morhard, assistant to Senator Wilson; James Steinberg, assistant to Senator Kennedy; Charles C. Smith, Jr., assistant to Senator Dixon.

OPENING STATEMENT BY SENATOR ROGER W. JEPSEN, CHAIRMAN

Senator Jepsen. The subcommittee meets today for its fourth and final hearing on the Department of Defense authorization request for fiscal year 1985. Today we will focus on compensation, allowances, and benefits for our military personnel and related areas and issues.

We will hear testimony today from two panels of witnesses. The first panel will be from the Department of Defense and the military services. The second panel will consist of representatives of three of the numerous private associations representing various groups of uniformed service personnel and their families.

In this regard I would like to say that the subcommittee recognizes that there are numerous private groups that have an interest in and wish to present testimony before this subcommittee on the Department of Defense authorization request and on the subject of military compensation and related issues.

Since I have been chairman of the subcommittee, we have listened to, heard, and worked with all of these organizations and groups, and we intend to continue. I have been advised that there is some concern, and, unfortunately, some bad feeling that we did not have more associations and groups involved. I support the method that was followed because of the time element that has been imposed on us by both budget and by the set of circumstances, and the number of days we have and by the chairman of the committee who is desirous of working with and hopefully ahead of most other committees on the budget issues. It is to all of our benefit that we proceed in this manner.

So my staff approached the organization that includes the umbrella of all these groups and asked them to pick three. Which they did.

For the groups that are not giving oral testimony I have asked the record be kept open until the 30th of March and we respectfully ask that they submit their recommendations. If there are any of them that they feel they need to have a direct exchange of ideas on, I will advise my personal staff to make arrangements for appointments for me to meet with them and to discuss it.

I hope that will constructively resolve the problem or concerns that I understand exist. I appreciate the feeling here. I assure you I share the concern for the welfare of our men and women in uniform. My record in this subcommittee speaks for itself in the area of pay and benefits and other personnel issues.

I would suggest that our work over the years as I have been chairman of this subcommittee has been one that could not be questioned with regard to whether or not we support the men and women in the military services. I would point out that regardless of what the feelings may be, the targeting of the pay and benefit that was produced a couple of years ago helped to resolve the problem of the hemorrhaging of senior enlisted people. The targeting approach primarily came out of this committee, and we fought everybody from the administration, the Pentagon on it.

To hear people talk now, you would think everybody invented it, it works so well. I am pleased with that; I am happy with that. I would suggest to those associations who feel that maybe this committee has not been open and fair and square with anyone, that they reflect and reexamine our record, and then I would invite them to come with their representatives if they feel that they have not been given a fair hearing, and I will personally see to it that they get one.

As chairman of the subcommittee, I welcome the views of all interested organizations. Therefore, today we will proceed, as I said, with the first panel. Then we will hear testimony from 3 of the some 18 to 20 well known-military organizations.

Now, we have a number of highly qualified witnesses with us today. Our first panel will represent the Office of Secretary of Defense and the military departments. Before I introduce them, I would ask if Senator Dixon, the distinguished ranking member of this committee, has any opening remarks.

Senator **Dixon**. I have no statement, Mr. Chairman.

Senator **Jepsen**. Then I would introduce our first panel, who represent the Office of the Secretary of Defense and the military departments. Secretary Korb was initially scheduled to appear today but he has been called from town on other duties. Therefore, our first panel will consist of Lt. Gen. Edgar A. Chavarrie.

General **Chavarrie**. Yes, sir.

Senator **Jepsen**. He is Deputy Assistant Secretary of Defense for Military Personnel and Force Management; Maj. Gen. Stuart H. Sherman, U.S. Air Force.

I understand you will not present a statement but will answer questions.

General **Sherman**. Yes, sir.

Senator **Jepsen**. Major General Mitchell, Director of Human Resources Development for the Army; Rear Admiral Herberger, Director of the Military Personnel Policy Division for the Navy; Maj. Gen. Robert C. Oaks, Director of Personnel Plans for the Air Force; and Brig. Gen. J. M. Mead, Director of the Manpower Plans and Policy Division of the Marine Corps.

Welcome all of you, and I would suggest now that you proceed. I would advise you that your written statements will be entered into the record as if read. Therefore, I would suggest that if possible you limit your oral statements to 3 to 5 minutes so we may have time for questions. You may proceed, General Chavarrie.

STATEMENT OF LT. GEN. EDGAR A. CHAVARRIE, USAF, DEPUTY ASSISTANT SECRETARY OF DEFENSE FOR MILITARY PERSONNEL AND FORCE MANAGEMENT, ACCOMPANIED BY MAJ. GEN. STUART H. SHERMAN, USAF, STAFF DIRECTOR, FIFTH QUADRENNIAL REVIEW OF MILITARY COMPENSATION; MAJ. GEN. J. H. MITCHELL, USA, DIRECTOR OF HUMAN RESOURCES DEVELOPMENT; REAR ADM. A. J. HERBERGER, USN, DIRECTOR OF THE MILITARY PERSONNEL POLICY DIVISION; BRIG. GEN. J. M. MEAD, USMC, DIRECTOR OF THE MANPOWER PLANS AND POLICY DIVISION; AND MAJ. GEN. R. C. OAKS, USAF, DIRECTOR OF PERSONNEL PLANS

General **Chavarrie**. Thank you, Mr. Chairman.

We appreciate, all of us, the opportunity to appear before the subcommittee to discuss military compensation.

I will just summarize the statement that we have for the record.

We would like to very much thank the Congress, and in particular, the members of this committee, for their efforts and their strong support of our efforts in raising military compensation from the dismally low levels which existed just a few short years ago. Though other factors are involved, the partnership between the Congress and this administration to increase military compensation to fair and competitive levels is one of the major reasons, if not the major reason, for the dramatic turnaround in recruiting and retention which we have seen over the past 3 years. So we thank you for that.

I am pleased to report that these manpower successes that we have had in the past 3 years or so continue into 1984, as all of the services are achieving their accession and retention goals. Through the first quarter of 1984, the goals and objectives have been met. So the record is still good.

To ensure the continued success, however we propose a number of compensation initiatives for fiscal year 1985 which we believe are necessary to sustain this competitive position in the manpower marketplace and to provide fair and equitable treatment for our men and women in uniform.

First, we are proposing, of course, a 5.5 percent pay raise, effective January 1, 1985. This was in our budget request. This pay increase will not only match the projected increase of 4.7 percent in private sector pay, but will provide military members a small incremental increase in recognition of the pay sacrifices that were made over the past 2 years. While the increase will not make up completely for the pay raise shortfall created by the pay caps in fiscal year 1983 and fiscal year 1984, we believe it will maintain military pay levels which are competitive with the private sector.

In addition to the pay raise, Mr. Chairman, we are seeking some improvements in other elements. I will not go into the specifics. There are three or four: One, to raise from 13 to 15 cents the mileage allowance military members receive when traveling between duty stations; an increase in the household goods weight allowance from 13,500 to 18,000 pounds; and authorization to implement the temporary lodging expense allowance. Our people tell us that one of the things that are never reimbursed fully, and sometimes to an extent of 50 percent, are the costs that are incurred in PCS moves. So we request authority to implement the TLE allowance.

We are considering legislation to amend some of the special and incentive pays as recommended by the fifth quadrennial review of military compensation [QRMC]. These recommendations resulted from a very extensive study of these pays. I will not cover a complete list, but will just mention a few quickly in the next couple of minutes: No. 1, a change in the selective reenlistment bonus program to allow a seventh multiple for computation of the bonus, lift the current $20,000 ceiling, and allow for paying the bonus in a lump sum rather than in installments; restructuring of the Navy nuclear officer pay; and increasing the family separation allowance from $30 to $60 a month.

Finally, in the legislative area, we are considering some proposals to increase the death gratuity benefit and to improve the current burial expense benefit by adding round trip travel expenses for the surviving spouse and dependents from the last duty station or family home to the burial site.

Other topics of great interest are the report on military retirement by the fifth QRMC and our report on the variable housing allowance [VHA]. The Senate Armed Services Committee Report on the fiscal year 1984 DOD Authorization Act directed us to study the VHA program and submit a report with recommendations on how it could be changed to fit within the limited funds available to pay for it. The SAC also directed a report on VHA. The services and OSD completed the study about 15 days ago. It is now in coordination in the executive branch, and upon completion of that, we will be submitting reports to the Armed Services Committees and the Appropriations Committees. Pending a decision regarding the VHA program, however, we have included funding in the fiscal year 1985 budget that restores the rates to the statutory rates of paying the difference between military member housing costs and 115 percent of BAQ, based on housing costs reported in the spring of 1983.

The last subject I would like to discuss, sir, is the fifth QRMC. General Sherman was the director of it. It was a very complex, difficult, and laborious undertaking which took 12 to 15 months. The staff approached the task with the understanding that their charter was not simply to identify changes to the retirement system which would save money, but that any changes must be fair to our men and women in uniform as well as take account of the impact on our ability to retain the military manpower necessary for our national security objectives which is, of course, readiness. That was the charge from the Secretary of Defense.

The study is complete. The Secretary has forwarded the report, with recommendations, to the President. Secretary Weinberger, in testimony about 2 weeks ago said that the report would be reviewed, and he thought that the results would be coming out shortly.

In closing, Mr. Chairman, as you know, we are facing an increasingly competitive manpower and skill environment, one in which our need for a ready military force coincides with an improving economy, which we all like, but a declining youth population. We think the military compensation program which is proposed in the 1985 request will enable us to compete in that environment, and we strongly urge the committee's support for the recommendations which we have made both in the legislative package and the 1985 request.

Now, my colleagues and I would be pleased to answer questions.

[The prepared statement of Lieutenant General Chavarrie follows:]

PREPARED STATEMENT OF LT. GEN. EDGAR A. CHAVARRIE, U.S. AIR FORCE, DEPUTY ASSISTANT SECRETARY OF DEFENSE (MILITARY PERSONNEL AND FORCE MANAGEMENT), OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE (MANPOWER, INSTALLATIONS AND LOGISTICS)

Mr. Chairman: I appreciate the opportunity to appear before the committee to discuss military compensation.

I want to thank the Congress, and in particular the members of this committee, for their efforts, and strong support of our efforts, in raising military compensation from the dismally low levels which existed just a few short years ago. Though other factors are involved, the partnership between the Congress and this Administration to increase military compensation to fair and competitive levels is one of the major reasons—if not the major reason—for the dramatic turnaround in recruiting and retention which we have witnessed over the past three years. I am pleased to report to you that these manpower successes continue into 1984, as all of the Services, to date, are achieving their accession and retention goals.

In order to ensure our continued success, we are proposing a number of compensation initiatives in fiscal year 1985 which we believe are necessary to sustain a competitive position in the manpower marketplace and to provide fair and equitable treatment for our men and women in uniform.

We are proposing that military members receive a 5.5 percent pay raise effective January 1, 1985. This pay increase will not only match a projected increase of 4.7 percent in private sector pay, but will also provide military members a small incremental increase in recognition of the pay sacrifices which have been asked of them in the past two years. While this increase will not make up completely for the pay raise shortfall created by the pay raise caps in fiscal year 1983 and fiscal year 1984, we believe that it will maintain military pay levels which are competitive with private sector pay. Given the effort to restrain Federal Government spending to reduce the budget deficits, it will also provide military members a fair and equitable pay raise, and insure that the military community participates in the collective goals with respect to our national deficit problem.

In addition to the pay raise, we are also seeking improvements in a number of other elements of the military compensation system. Specifically, we ask your support in fiscal year 1985 for additional reimbursements to military personnel for travel and transportation expenses. In this area, we seek:

An increase from 13¢ to 15¢ per mile in the mileage allowance which military members receive when traveling between duty stations on permanent change of station moves;

An increase in the household goods weight allowance for members in grade E-7 and above, and a lifting of the ceiling from 13,500 pounds to 18,000 pounds;

Authorization to implement the Temporary Lodging Expense (TLE) allowance. This allowance was first authorized in the Uniformed Services Pay Act of 1981, but Congress continues to deny funding for implementation. Given the recent improvements in the reimbursement for temporary living expenses provided to federal civilian employees when making a move, we believe it is now fair that military members receive some financial relief for the substantial out-of-pocket expenses they incur when making a permanent change of station (PCS) move.

We are considering legislation which would provide:

Authorization for payment of a second dislocation allowance when certain expenses are incurred by the servicemember resulting from the modification, cancellation or revocation of PCS orders where such changes have been in the best interest of the government and not initiated by the servicemember, except in proven hardship cases;

Authorization to include Alaska and Hawaii as overseas areas for the purpose of providing funded return travel for dependents when travel to CONUS has been required for medical purposes.

We are also considering legislation to restructure a number of special and incentive pays, based upon the recommendations of the Fifth Quadrennial Review of Military Compenation (QRMC). The recommendations of the Fifth QRMC resulted from an extensive study of whether these special pays were accomplishing the purpose for which they were intended. I will not cover the complete list of items which are being considered in the legislation, but some of the major ones are: (1) changes in the Selective Reenlistment Bonus (SRB) program to allow a 7th multiple for computation of the bonus, i.e., a higher multiple for SRB is necessary to offset proposed reductions in Proficiency Pay for certain skills receiving maximum SRBs and Proficiency Pay, lift the current $20,000 ceiling, and pay the bonus in lump sum rather than in installments; (2) restructuring of Navy Nuclear Officer Pay to authorize 3- and 5-year contracts in addition to the current 4-year contracts, authorize up to 4 contracts for obligated service not beyond 24 years, and payment in lump sum; (3) increasing Family Separation Allowance from $30 to $60 per month.

In order to permit the orderly consideration of these initiatives and to provide continuity in our programs, we have submitted legislation to extend certain expiring authorities. They include extension of enlistment and reenlistment bonus authority for the active forces, extension of special pay for certain career aviation officers, extension of authority to reimburse, under certain circumstances, for accommodations in place of quarters, and extension of several provisions dealing with personnel management and administration. The temporary extension of these authorities will ensure that we continue to have the means available to sustain our manpower requirements and to achieve our recruiting and retention objectives.

Finally, in the legislative area, we are considering proposals to increase the death gratuity benefit and to improve the current burial expense benefit by adding round-trip travel expenses for the surviving spouse and dependents from the last duty station or family home to the burial site.

We will also be submitting reports, with recommendations, to Congress in the near future on two critical components of the military compensation system. These are the Variable Housing Allowance (VHA) and the military retirement system.

With regard to VHA, the Senate Armed Services Committee (SASC) report on the fiscal year 1984 DOD Authorization Act directed DOD to study the program and submit a report with recommendations on how it could be changed to fit within the limited funds available to pay for it. The Senate Appropriations Committee (SAC) also directed a report on VHA. To fulfill both requirements, the Services, in conjunction with the office of the Secretary of Defense, conducted a joint study of the program and will submit a report with recommendations on what, if any, changes should be made. We are currently reviewing the Joint Service study and, upon completion of the review, we will submit reports to the SASC and the SAC. Pending a decision regarding the VHA program, we have included funding in the FY 85 budget to restore the rates to the statutory rates of paying the difference between military member housing costs and 115 percent of BAQ. These data are based on housing costs reported in a DOD-wide survey taken in the spring of 1983.

The Fifth QRMC staff has completed its analysis of the military retirement system. As you can well understand, this was a difficult, complex, and laborious undertaking. The staff approached this task with the understanding that their charter was not simply to identify changes to the military retirement system which would save money, but, that any changes must consider the fairness to our men and women in uniform, as well as the impact on our ability to attract and retain the military manpower necessary to meet our national security objectives—that is, the impacts on force levels required to maintain readiness. The report of the QRMC staff is currently being reviewed within the Administration.

In closing, Mr. Chairman, as you gentlemen know, we are facing an increasingly competitive manpower and skill environment, one in which our need for a ready military force coincides with an improving economy and a declining youth population. We believe the military compensation program we are proposing for FY85 will enable us to compete in that environment, and we strongly urge the committee's support. I will be pleased to answer any questions you may have at this time.

Senator Jensen. General Mitchell?

STATEMENT OF MAJ. GEN. J. H. MITCHELL, USA, DIRECTOR OF HUMAN RESOURCES DEVELOPMENT

General Mitchell. Mr. Chairman, I would like to reiterate General Chavarrie's remark that I am personally pleased to appear before this committee once again. There is no doubt in the Army's mind about this committee's personal support of the Army's effort to make this an Army of excellence out of our volunteer force.

I would also point out, Mr. Chairman, that the Secretary jointly with the Chief of Staff, United States Army, has declared this the Year of the Family for the Army. This is in line with previous themes of past years, but it is a reawakening of the Army's recognition that a ready and committed soldier, particularly in our married army, is a product of the readiness and commitment of his family. As a consequence, I would only reemphasize what General Chavarrie has said in the emphasis that the Secretary and the Chief are placing on those entitlements associated with making life for an Army family bearable and, indeed, a place where they want to be, and therefore support their soldier.

ARMY COLLEGE FUND

I would also point out, Mr. Chairman, that there is enormous importance and influence in educational benefits with regard to retaining high quality soldiers. The Army College Fund has proven itself in attracting and retaining high quality soldiers. The Army believes that it needs this special incentive for soldiers in order to maintain the quality of force we have now and look forward to having in the future.

That completes my statement, Mr. Chairman.

[The prepared statement of General Mitchell follows:]

Prepared Statement by Maj. Gen. John H. Mitchell, Director of Human Resources Development, Office of the Deputy Chief of Staff for Personnel, Department of the Army

INTRODUCTION

Thank you for your past support of initiatives on behalf of servicemembers and their families. Your concern for them has been welcomed. The support has made possible the highly capable and motivated Army that we have today.

MILITARY PAY ADJUSTMENT

The Army supports the Department of Defense projected military pay increase of 5.5. percent—an increase slightly greater than projected private sector wage growth of 4.7 percent. That increase will provide a little catch-up for the existing lag behind private sector wage growth. Bitter experience of the 1970's reveals that when military pay adjustments lag behind private sector wage growth, recruiting and retention suffer. Notwithstanding successes of the past few years, recent enlisted recruiting trends show some decline—we cannot afford to relearn the lessons of the 1970's.

MILITARY RETIREMENT SYSTEM

The military retirement system is a crucial aspect of the compensation package. It is the primary consideration for reenlistment among career soldiers and increasingly more important with first term soldiers. As the Secretary of the Army and Chief of Staff recently testified, changes to the system must contribute to improvement in overall national security. That is the criteria against which proposed changes must be evaluated.

EDUCATIONAL INCENTIVES

The present authority for Vietnam era GI Bill educational benefits expires in 1989. We support legislation extending this authority past 1989 so that soldiers may stay for a full career and then take advantage of their educational benefits. Your support of this legislation will remove a retention disincentive for midterm and career soldiers.

BONUSES

Enlistment and reenlistment bonuses continue to play a significant part in attracting and retaining high quality individuals in critical skills. Higher quality people (higher scoring high school graduates) are more difficult to attract into designated skills in the force. We support extending authority for these programs beyond the 30 September 1984 expiration date. Both programs are key to the Army's efforts to man a competency-based force.

FISCAL YEAR 1985 BUDGET INITIATIVES

In fiscal year 1985, we are presenting the following initiatives:

Permanent change of station: Increase the monetary allowance in lieu of transportation paid to the servicemember from 13 cents per mile to 15 cents per mile. Also proposed are increases in household good weight allowances varying between 500 to 4,500 pounds for personnel in the grade of E-7 and above.

Special and incentive pays: Provide for lump sum payment of reenlistment bonuses, equalization of officer/enlisted hazardous duty incentive pay rates, and generally update rates which have been overcome by inflation since being established.

Education benefits: The Army supports the current Department of Defense position on education benefits, which is to continue to use the Veterans' Educational Assistance Program (VEAP) with additional incentives for soldiers enlisting in particular specialties (the Army College Fund).

CONCLUSION

Together we can ensure that the military compensation system will attract, distribute, and retain the required, high quality soldiers we seek. Our interests are the same—a compensation system which properly shapes the desired force to adequately provide for our national defense.

Senator **Jepsen**. I thank you.

I am aware of some of the things we have been doing by way of orientation of the troops on a family basis where the wife has been included, in Fort Riley, KS, I believe.

General **Mitchell**. Indeed.

Senator **Jepsen**. I had the opportunity to discuss that at great length with an Army wife who was coming back on the same plane I was here a few weeks ago. It was very impressive. I was very pleased to hear it.

Admiral Herberger?

STATEMENT OF REAR ADM. A. J. HERBERGER, USN, DIRECTOR OF THE MILITARY PERSONNEL POLICY DIVISION

Admiral **Herberger**. Mr. Chairman, again it is a pleasure to appear before the subcommittee. The successes of the Navy today are directly attributable to the positive steps this subcommittee has taken. Despite the satisfying progress we have made in recent years, we still face specific personnel shortages and skill imbalances. Hence, this is not the time to transmit a negative signal regarding decreases in compensation which could combine with the improving economy and begin to erode and reverse the recruiting and retention gains recently and extensively achieved.

We know our Navy men and women are meeting the strong demands we are placing on them, and while we are currently successful in recruiting and retaining in most areas, we are also facing strong challenges to continue our momentum. We are sure that with your continued strong support for the compensation system in general, the Navy will be able to meet the manpower challenges ahead.

[The prepared statement of Admiral Herberger follows:]

PREPARED STATEMENT OF REAR ADM. ALBERT J. HERBERGER, U.S. NAVY, DIRECTOR, MILITARY PERSONNEL POLICY DIVISION, OFFICE OF THE CHIEF OF NAVAL OPERATIONS

Mr. Chairman, it is again a pleasure for me to appear before this subcommittee as the Director, Military Personnel Policy Division on the staff of the Chief of Naval Operations. The successes the Navy is enjoying today in retention and recruiting are directly attributable to positive actions that this subcommittee has taken with respect to military compensation. You have been at the forefront in initiating those steps necessary to ensure that our uniformed men and women are adequately compensated for strong demands we are continually placing on them.

Let me begin by briefly summarizing some of the things that service in the Navy is not. It is not a job in a particular occupation. It is not employment in a corporation. The length of the work day and the length of the work week are not controlled by the Fair Labor Standards Act, or by agreements between labor and management. The job location and the working conditions are not stable, nor are they comparable to the norms of the usual American workplace, nor subject to control by the individual or by labor/management negotiation. It is not a place where the individual can be encouraged or even allowed to maximize his or her own economic or personal interests except as we permit within our own system of controls.

Naval service is a career in which the individual is required to subordinate his or her own interests to the changing demands of service to our country. It is a career in which the individual's occupational specialty, while sometimes similar to civilian jobs, and always important, is nevertheless secondary. It is a career in which the overriding requirement is to be an integral part of a military organizational unit whose primary mission is to fight, where military requirements and responsibilities must pervade the particula duties or service conditions imposed at any given time.

Naval service is crewing a battleship diverted quickly from a planned return home to a protracted stay half a world away. It is peacetime assignment to foreign capitals or advisor duties where the bombs or bullets of terrorists bring unpredictable injury or death, against the norms of civilized society. It is serving as an international peacekeeping presence in an embattled country, or off its shores, exposed to the risks of combat without participating in it and bearing injury and death in the process. It is rapid diversion from a routine replacement mission to provide swift, competent military aid in response to the request of hemispheric neighbors. Our Naval personnel are doing these things now -- in peacetime -- because the country asks (and expects) it of them. Naval service is the willingness -- the commitment -- to respond to demands like these whenever it is determined that the interests of national security require.

It is our mutual goal, I'm sure, to populate the Armed Forces with the numbers and quality of personnel necessary to meet national security objectives. In order to meet this goal, our compensation system must remain competitive with the private sector. The test, of course, of our military compensation system is our ability to attract people into the Navy and retain them. In the long term this entails maintaining pay at comparable levels, providing periodic adjustments to special and incentive pays to guard against erosion of their value relative to Basic Pay, providing full reimbursement for government directed travel, maintaining non-cash benefits that currently exist, and providing a stable retirement system or at the minimum, fully grandfathering the active duty force for any further changes to that system.

As Admiral Watkins has testified, despite the satisfying progress made in recent years, we still face personnel shortages and imbalances. Hence, this is not the time to transmit negative signals on specific issues of pay and benefits. Any decreases in total compensation, real or perceived, could combine with an improving economy to erode and reverse the recruiting and retention gains recently achieved.

Several issues were addressed during the 1st Session of the 98th Congress which could have an adverse impact on our ability to meet our manpower objectives. I will enumerate some of these.

There has been a constant comparison made between military and federal civilian pay. The two systems, by design, are completely different. While studies prepared for the Congress discuss comparisons of senior grade personnel disposable incomes there are great differences in reimbursements for government directed relocations. The military compensation package must be competitive with the market that we are recruiting in and must maintain its competitiveness to keep people from leaving.

The Variable Housing Allowance (VHA) was intended to provide relief for members assigned to high cost areas so they would be required to pay no more than 15 percent of their Basic Allowance for Quarters (BAQ) out-of-pocket. Department of Defense developed a congressionally approved VHA survey to determine housing costs in specific areas. The VHA system operated as intended in FY 1981 and 1982 but has not been allowed to operate as designed in FY 1983 and 1984. Today our people pay approximately 30 percent of BAQ out-of-pocket to meet their housing needs. Meanwhile, the VHA system is being criticized because we are paying VHA in most areas. Allowed to work as legislated, the VHA mechanism would succeed. The VHA plus BAQ caps imposed in the last session caused an actual pay cut in housing allowances (in lieu of pay raise) on 1 January 1984 for over 600 of our senior personnel. The caps provide extremely minimal savings, are contradictory to the legislative intent of VHA, adversely affect morale and are sending the wrong signal to our members.

Persistent reports of proposed changes to the military retirement system are causing uncertainty in the Fleet. Our military retirement system has been reported as being extravagant and unaffordable without regard to its purposes or the impact changes would have on our career force. We should oppose any change to the retirement system which will not sustain a viable career force and maintain readiness. Any further major changes must provide protection for those now covered. To do otherwise would be unfair and would break a pact that was a factor in many enlistment and most reenlistment decisions.

Many of our special and incentive pays and bonuses have been questioned. In Navy, these pays are targeted to fulfill specific skill requirements or to compensate for hazardous or arduous duty.

We have a cost effective bonus system which allows us to retain specific personnel despite the fact that pay has not maintained comparable levels since FY 1981. As the economy continues to improve, special pays and bonuses will increase in importance. Any reduction to these programs would have an immediate negative impact on selected retention rates and a corresponding decrease in the readiness which we have worked so hard to regain in the last 4 years.

The following paragraphs discuss the legislative initiatives which are of great importance to the Navy and we would appreciate your full support for their passage.

Enlistment and Reenlistment Bonuses. The authority to pay enlistment and reenlistment bonuses expires on 30 September 1984. Extension of this authority is essential.

Aviation Officer Continuation Pay (AOCP). AOCP has proven to be an extraordinarily cost effective means of alleviating the mid-grade aviation officer shortfall. It will take several years of high retention before our aviation officer deficit is erased. Accordingly, reauthorization of the AOCP program is requested.

Basic Pay Adjustment Mechanism. Adoption of the Employment Cost Index (ECI), a national indicator of private sector wage growth, will add a much needed element of stability to our compensation system as well as provide equitable, acceptable treatment to both taxpayers and military members. It will establish a direct link to average blue collar wage growth in the country, where nearly 70 percent of the skills measured by the Index match military skills.

Quarters Reimbursement During Overhaul. Authority to reimburse members for quarters when their ship is uninhabitable during overhaul and no government quarters are available exists through 30 September 1984. Navy strongly urges that this program be reauthorized and made permanent.

Monetary Allowances in Lieu of Transportation (MALT). Support is requested to increase MALT rates from 13 cents per mile and $50 per day to 15 cents per mile and $50 a day for military members.

Household Goods Weight Allowance Increases. Support is requested to increase household goods weight allowances for paygrades E7 and above. Approximately 4400 Navy members during FY 83 paid $2.8 million out-of-pocket for household goods movements during government directed travel. This equates to an average of $636 per member adversely affected.

Fifth Quadrennial Review of Military Compensation (QRMC). Navy fully supports the QRMC recommendations on Special and Incentive Pays. OSD is currently preparing a legislative package for submission to Congress which covers all of the QRMC Special and Incentive Pay recommendations. Navy would caution that many of the recommendations are interrelated, such as recommended changes to SRB and Proficiency Pay. Approval of interrelated recommendations should be carefully reviewed for effects upon retention and readiness.

Removal of Selective Reenlistment Bonus (SRB) Ceiling. We strongly support the QRMC recommendation to remove the $20,000 ceiling on the Selective Reenlistment Bonus.

The current ceiling forces increasingly inefficient management by causing shorter reenlistment lengths. A FY 1981 Zone A SRB for skills with a multiple of 4 required a 6 year reenlistment to receive

$16,000. By FY 1986 the same individual could receive $16,000 with only a four year reenlistment. Inflation has reduced the incentive value of a 1981 bonus dollar to 82 cents. Assuming 4% inflation, the FY 1987 value will be 68 cents.

Removal of the ceiling would gain approximately 2,750 petty officers who would otherwise be lost to end strength and increase the average length of an SRB reenlistment by one year. These enhanced bonuses would be targeted to only the most chronic problem skills.

Career Sea Pay. Currently the maximum level of sea pay is reached at the 10th to 12th year of cumulative sea duty depending on a person's paygrade. In order to maintain career sea pay as an incentive for people in sea intensive ratings to remain at sea beyond 10 years, legislation, supporting the QRMC recommendation, to increase sea pay rates for individuals with 10 to 20 years of cumulative sea duty has been submitted to OSD. Navy strongly requests your support for this proposal.

Enhanced Nuclear Officer Continuation Pay. Our most serious personnel problem is the 26 percent shortage of experienced nuclear qualified officers. The Fifth QRMC has recommended an enhanced Continuation Pay (COPAY) which provides for optional 3, 4, or 5 year contracts at $7,000 per year, lump sum payments, and up to four sequential contracts per officer. Authorization of enhanced COPAY, which is included in the OSD QRMC recommended legislative package, is essential to our ability to reduce to the absolute minimum losses from the existing 04 to 06 nuclear officer group, while we grow new inventory by improving and sustaining retention. With the already severe shortage of these midgrade officers projected to worsen to 33 percent by FY 1989, the immediate need for this program cannot be overemphasized.

Nuclear Enlisted Commissioning Program (NECP). For the nuclear officer community to completely recover from current shortages, annual accession requirements must be consistently attained. Nuclear officer accessions peaked near goal in FY 1983 but have declined thus far in FY 1984. Existing sources (USNA, NROTC, NUPOC) are unable to meet nuclear officer accession requirements. Additionally, officers accessed through the Nuclear Power Officer Candidate Program (NUPOC) historically have significantly lower retention rates through their department head tour than officers from the Naval Academy and NROTC sources. The Congressionally authorized additional scholarships will enable NROTC to meet its future quota for candidates. However, a new high career continuation source is needed to make up USNA shortages, to reduce reliance on the low career continuation NUPOC source, and to ensure accession requirements are achieved every year. Legislation has been proposed for a Nuclear Enlisted Commissioning Program (NECP). NECP provides pay, allowances, and a four year college scholarship to top enlisted personnel leading to a commission and nuclear officer training. NECP is vital to long term elimination of the nuclear officer community shortages.

Vietnam Era GI Bill Termination Date

As you are aware, the Vietnam era GI Bill terminates in 1989. Navy supports an extension of the expiration date to allow eligible members to complete a Navy career without losing this benefit.

Careerists who have left the Navy often cite the loss of GI benefits as a significant factor in their decision to separate. The 1989 deadline draws closer and we anticipate that this issue will continue to grow in importance as the 120,000 eligible Navy men and women in the critical retention window, 6 to 14 years of service, decide whether to continue their Navy careers or leave to use their GI benefit. We would urge early action on this issue.

Tax-Free Allowances. Navy is deeply concerned over the possibility of BAQ and VHA becoming "defacto" taxed as a result of an Internal Revenue Service policy interpretation. We request full support of the Congress in amending the Tax Code to protect the tax exempt status of housing allowances and thereby avert what amounts to an indiscriminate reduction of military compensation for our 70,000 homeowners. Under this policy, homeowners would face reduced allowable itemized deductions of $4,000 to $9,500 per year resulting in a net tax increase of $800 to $3,000 per year. This is equivalent to a 4 to 6 percent pay cut. Many of our people would become over-extended with mortgage payments - ultimately facing extreme hardship or even foreclosure on their homes.

In summary, the programs I have outlined above are the issues I feel must be addressed this year if the military compensation system is to remain competitive with the private sector, even in a year of limited funding.

I am sure that with your strong support in compensation, the Navy will be able to meet its growing manpower challenges ahead.

Senator JEPSEN. General Oaks?

STATEMENT OF MAJ. GEN. R. C. OAKS, USAF, DIRECTOR OF PERSONNEL PLANS

General OAKS. I would like to echo the previous statements. We deeply appreciate the continued support we have had from the committee. As we look at the past year, 1983, it has been a very successful recruiting and retention year. As we have those, we look to the immediate future with some concerns. From our perspective, the cost cuts in military compensation, we must not let the discussions on pay caps and major retirement restructuring and commissary use and the other items we continually discuss and reevaluate, we can't let those kinds of discussions damage retention and recruiting at a critical time when the economy is going to provide greater and greater competition for the high quality members that are so critical to maintaining military readiness.

I would like to make a brief comment about comparability. We discussed comparability in our discussions on pay and compensation. When you use the term in its broadest sense, it is good. It is a benchmark for equivalent pay and essentially equivalent level of work in the private sector. But we must emphasize, we are not attempting to pay our people wages which are strictly comparable. I think it is important to highlight some examples. For example, we do not propose to pay our pilots that we are paying about $45,000 a year now the equivalent of $90,000 or even $160,000 that those comparable jobs get in the private sector.

We do not expect our crew chiefs, getting about $29,000 a year, that they would get on the equivalent outside $40,000 a year. I could go on and on.

Looking at what commercial companies pay to send members to Saudi Arabia, the technician will receive $50,000 there in the commercial sector. We send them there for about $30,000 or $35,000.

So when we talk comparability, it is important to realize that there are elements that we rely on our people for work and arduous service that they are not compensated in the direct way that they are in the private sector. I mention these things because when we talk about why do people do it, why do people withstand and tolerate those kinds of differences, the retirement system has been a major factor over the years that made people say, well, it is worth it.

As we discuss retirement in this committee and in conversations in the coming months, it is important that we realize that that retirement system that we have adopted over the years and have developed is a key factor in all of our discussions and surveys of our military members. They say that is the key retention factor. So it plays a very key role in our military compensation system, to provide that stability that is not always available in other parts of the compensation system.

The other problem directly related has already been mentioned, that is, PCS costs that the members are incurring in the Air Force right now. They are paying $3 out of $4 out of their pocket for the permanent change of station costs. That is a cost that has not been borne by other organizations. It is a real hardship on people today.

I ask for particular attention to those items in the President's budget directed to alleviating that hardship on military members.

Again, I would like to underline our appreciation for the support of the committee in the past and their sensitivity to items like those we have just mentioned today on PCS costs and on arduous aspects of the military that are not directly compensated but the retirement system does compensate for. Readiness is up. The Air Force has never been better in terms of quality of personnel today. That is a direct result of the work of your committee members, sir, and we appreciate that, and we look to the future to maintain that kind of readiness.

Senator **Jepsen**. Thank you.

[The prepared statement of General Oaks follows:]

Prepared Statement of Maj. Gen. Robert C. Oaks, Director of Personnel Plans, U.S. Air Force

Mr Chairman and Members of the Committee

I appreciate this opportunity to appear before you today to discuss Military Compensation. The personnel situation in the Air Force now is much as it was last year. At present, the Air Force is achieving outstanding recruiting and retention successes. However, we face an uncertain recruiting and retention environment in the coming years. As the economy improves, private sector competition for skilled people is increasing. At the same time, the Air Force's demand for high quality people to operate and maintain a larger force structure of more sophisticated equipment is also growing. These increasing requirements must be drawn from a pool of recruit-age personnel that will decline by 20 percent between 1985 and 1995.

I believe the Air Force has reached a critical crossroads. It has become increasingly clear that the "adequacy" of military compensation is the pivotal issue in the relationship between manpower resources and defense capability. The mounting concern repeatedly raised during my field visits, commanders' seminars, and people-to-people discussions is a perception that we will not provide military members adequate compensation levels but will impose ever-increasing demands. This is having a negative effect on morale -- with an as yet unquantifiable impact on retention and recruiting.

Military compensation is one of the most important factors affecting the Air Force's ability to provide the quality manpower needed to operate, maintain, and support today's complex and technologically advanced weapon systems. In its broadest sense, military compensation serves the same purpose as any compensation system -- it attracts, retains, and motivates the requisite kinds and numbers of people. There are important differences, however, between a member of the Armed Forces and an employee in the civilian workplace, and these differences require a unique approach to the way we compensate our people.

Military service places extraordinary demands on its people and their families -- demands that differ significantly from those normally found in civilian employment. Extended tours abroad, 24-hour availability, frequent moves, family separation, and strict compliance with military standards, discipline, and law are institutional demands not shared by the private sector. Service in the Armed Forces is not predicated on a formal, written contract -- detailing pay, benefits, working conditions, or duty hours -- nor on the results of negotiations as in private industry. Rather, the military member accepts on faith that the institution will provide for his or her job and financial security and that reasonable living conditions will be provided for both the individual and his or her family. In return, he or she may be asked to make the ultimate sacrifice. These characteristics have long differentiated the military profession from civilian occupations, whose primary legitimacy is based upon exchange of labor for wages.

The military compensation system is made up of three components: pay and allowances; institutional supports, such as retirement, medical care, and commissaries; and, special and incentive pays, such as Selective Reenlistment Bonuses and Aviation Career Incentive Pay. Together, they form a total and comprehensive "compensation package". The relative security and stability afforded by this system over the years has given our people confidence that they and their families will be cared for adequately. Our people, in turn, are freed from these concerns and able to dedicate their full attention to the mission.

PAY AND ALLOWANCES

We know from the unprecedented recruiting shortfalls and degradation of experience levels of the late 1970s that if military pay falls behind private sector wage growth, we cannot attract the quality people we need and those we have will leave. In January 1972, military pay was generally considered to be comparable to private sector pay. However, by 1979, military pay had fallen approximately 7.8 percent behind the private sector as measured by the Professional, Administrative, Technical, and Clerical (PATC) index. Tremendous personnel and experience losses ensued. Only after the large pay increases in October 1980 and October 1981 did pay once again approximate private sector levels. Retention, consequently, improved. Two subsequent military pay raises were capped, and only the poor economy and high unemployment rates prevented significant personnel losses.

If military pay raises continue to lag private sector wage increases, particularly during a period of strong economic growth, the consequences for retention and recruiting are predictable. The private sector will again begin to draw away our most promising recruits as well as our most talented and capable young officers and enlisted members. As we have found from past experiences, it is difficult to sustain high readiness levels without a supply of quality personnel --precisely those with the most marketable skills in the private sector.

Although pay improvements in the FY85 budget will not entirely cover the ground lost since 1981, the projected 5.5 percent military pay increase for FY85 is a positive step. The Nation should provide its military people a standard of living commensurate with the demands of military service. To accomplish this, it is crucial that future military pay raises be comparable to private sector pay increases.

VARIABLE HOUSING ALLOWANCE

A prime example of a vital people program whose effectiveness has been seriously diminished by limited appropriations is the Variable Housing Allowance (VHA). The Congress created the VHA program to help servicemembers afford an acceptable standard of housing in the continental United States (CONUS) and to eliminate disparities in standards of living depending solely on where an individual is ordered to duty. By law, VHA is the difference between (1) the average cost of housing in the CONUS and (2) 115 percent of the Basic Allowance for Quarters (BAQ) entitlement.

However, a number of recent actions have prevented the VHA program from working as intended. In FY83, after only two years in operation, the Congress capped the VHA program. Based on Congressional direction, the FY83 VHA rates reflected an "assumed" eight percent increase in BAQ rather than the actual four percent BAQ increase received on October 1, 1982. The net effect of this action was that our people had to absorb housing costs equalling 19.4 percent of their BAQ.

At DoD's request, the FY84 DoD Authorization Act placed further restrictions on the VHA program. It (1) froze the FY84 VHA rates at the levels which were in effect in FY83 and (2) eliminated VHA for members of the Reserve components ordered to active duty after September 30, 1983 for periods less than 140 days. In addition, the FY84 DoD Appropriations Act: (1) required a dollar for dollar deduction of the January 1, 1984 four percent BAQ increase from the VHA rates which were in effect on September 30, 1983; and (2) placed monthly ceilings on total housing allowances (VHA plus BAQ) of $800 for members with dependents and of $600 for those without dependents. These combined limitations will require military members to incur out-of-pocket housing expenses which equal 29.4 percent of their BAQ or about $1,100 per member per year. This is almost double the 15 percent absorption rate prescribed by law.

Furthermore, the $600 and $800 housing allowance ceilings penalize approximately 1,800 military officers ordered to duty in the Nation's highest cost of living areas such as Boston, Washington

D.C., and Los Angeles. In 1984, these individuals will receive up to $1,500 less to meet their housing expenses than they received in FY83. Also inexplicable is why the DoD Services were singled out, since neither the dollar for dollar BAQ reduction nor the combined BAQ plus VHA cap imposed in the FY84 DoD Appropriations Act apply to servicemembers of the non-DoD Uniformed Services. This anomaly creates serious interservice inequities -- DoD servicemembers will have $9 to $130 less per month to meet their housing expenses than their non-DoD counterparts. We seek your support in eliminating this limitation in FY85. Unless this trend is reversed, the Services will face the risk that talented people will leave the military to avoid assignments to otherwise unaffordable locations. In short, the VHA is an invaluable entitlement program which will enable our people to maintain the quality of life they have earned and deserve.

TAX EXEMPT STATUS OF MILITARY HOUSING ALLOWANCES

A companion to our concern about the VHA program is that the potential revocation of the tax exempt status of military housing allowances threatens the very foundation of the pay and allowances system. The Treasury Department is currently reviewing an IRS proposal which would reduce deductions for housing expenses of military members by an amount equal to their non-taxable housing allowances.

This proposal is contrary to both Congressional intent and sound financial management. It ignores the fact that since 1965 Congress has included the tax advantage in basic military compensation, which is the military equivalent of civilian salary. It would result in an immediate pay cut of two to six percent and seriously erode basic military compensation. This decision would result in an increase of tax liability for some 270,000 military home owners, ranging from $800 to $3,000 annually. Many military home owners have committed themselves to binding financial obligations in good faith based on the assumption that the current system would be preserved. Some members, faced with the prospects of unaffordable or unacceptable housing, would retire or separate in lieu of a transfer. The increased recruiting and training costs expended on replacing those driven out of uniform by this ruling could totally offset the added revenues it would produce. If implemented, the ruling would also levy an abrupt increase in demand for military family housing that cannot be met with the present supply. Constructing sufficient additional military family housing units would take years and only further offset Treasury receipts. In the interim, many of our members would be faced with inadequate housing alternatives.

The non-taxable status of military allowances has been clearly defined and established by both Congressional action and court decisions. It is a precious element of the military's institutional framework that must be preserved if we are serious about our commitment to the well-being of our members. We expect at least three legislative proposals that would exempt military personnel from this or similar rulings and we urge your support of such legislation.

INSTITUTIONAL SUPPORTS

As I mentioned previously, the day-to-day requirements of military service place unique demands and stresses on our people and their families. Our system of institutional supports help make these often harsh conditions more palatable and endurable by improving the quality of life. Principal among these supports are the military retirement system, medical care, and military commissaries.

RETIREMENT

Unlike private sector retirement plans, whose main purpose is to provide old age annuities, the fundamental purpose of the military retirement system is to ensure the readiness of the Armed Forces. This is accomplished by encouraging the right numbers of skilled, dedicated people to remain in the Service for a career. The retirement system is a powerful factor in the retention equation. Surveys of Air Force people have consistently shown that the retirement program is the number one factor in the career decision for both enlisted personnel and officers. Besides fostering a young and vital force, the retirement system ensures a standing pool of experienced retirees is available to meet the Nation's wartime requirements.

It is important to recognize the military retirement system has been changed in piecemeal fashion a number of times since 1980. Several of these changes have had significant effects on the value of future retired pay. A prime example is "Hi-3 averaging", enacted in 1980. This feature will reduce the lifetime retired pay for those who entered active duty after September 7, 1980 by approximately 8 to 12 percent, depending on length of service.

A number of groups including the President's Private Sector Survey on Cost Control (Grace Commission), as well as several Congressional Committees, have examined the retirement system and have made recommendations for change. Many of these recommendations are driven by cost considerations alone and fail to recognize the essential linkage between the structure of the retirement system and the personnel force and readiness. I believe severing this linkage would produce false economies of the highest order.

The current retirement system has served the Armed Forces well in the nearly four decades since its enactment. During this period, the military has experienced a number of events that placed great strains on the personnel management system: rapid buildups preceding and then drawdowns following the Korean and Vietnam conflicts; swings in active duty pay from full pay comparability in 1972 to significant pay "gaps" such as those experienced in the late 1970s; and, transition from a draft to a volunteer armed force. Through these times, the retirement system has been one of the "constants", a foundation upon which members could rely to build a modicum of financial security. The attention being focused on the system now, particularly the emphasis on the cost and intimations of lavishness, has raised servicemembers' apprehensions that this element of stability will soon be eroded.

The retirement system is, undeniably, under great pressure. If such pressure results in changes to the system, it must be done in a manner that honors commitments to those currently serving and retired and does not impair readiness.

CHAMPUS COST CONTAINMENT

Another institutional support that reduces the financial burden on our people and maintains their quality of life is medical care. This program ranks close to the retirement system as one of the most important career decision factors, particularly among our enlisted members. In this context, there are some major, medical-related issues I believe deserve the full attention of this Committee.

We in the Air Force share Congress' concern over the increase in health care costs as vividly demonstrated by past growth in the CHAMPUS budget. Under the auspices of the Uniform Services Health Benefits Committee, the Air Force and the other Services have taken a number of steps to contain future CHAMPUS budget growth. Studies have shown that the direct care system of military hospitals and clinics can provide an equivalent level of health care for a lower cost than in the private sector. Therefore, the key to controlling future CHAMPUS budget growth is to further increase in-house medical productivity. Actions instituted in FY83 included vigorous programs to improve access to and increase the amount of care provided by the direct care system, revision of certificate of non-availability policy, catchment area redefinition, as well as changes in the CHAMPUS benefit and payment mechanism. The Services' success in these initiatives is reflected in the FY83 CHAMPUS budget results. In October 1982, the deficit was forecasted to be $160 million. By the end of the fiscal year, the deficit had dropped to $12.7 million.

DEPENDENT DENTAL CARE

While we are very satisfied with the overall quality of medical care we currently provide, we believe these are areas in which care should be expanded. Presently, our number one health care priority is approval and funding for a dependent dental care program. When I travel and discuss medical benefits with our people, the lack of adequate dependent dental care is a topic which frequently arises. This is not surprising since dental insurance is one of the more rapidly growing benefits offered in the private sector. Recently, this Committee received a report from the Secretary of Defense on dependent dental care alternatives. We anticipate working with the other Services, this Committee, and the rest of Congress to authorize and fund a dependent dental care test program.

DEPENDENT MEDICAL TRAVEL - ALASKA & HAWAII

Another health care improvement priority involves a smaller, but severely affected, portion of our dependent population. For several years, the Services have had the authority to pay the transportation costs to an adequate medical facility for dependents of members stationed overseas. Such transportation is authorized when a suitable medical facility is not available at the overseas duty station. Although the practice also applied to Alaska and Hawaii for almost 20 years, a recent legal ruling indicates that the statutory authority does not include dependents in Alaska and Hawaii. With the military's concept of specialized treatment centers, there are many cases when dependents in Alaska and Hawaii must be transported to military medical centers in Washington State or California. Additionally, dependents in remote areas of Alaska often need medical care at the central facilities within Alaska. Due to a technical flaw in the statute, the Services currently can only transport these dependents by government aeromedical evacuation. These flights do not operate daily and are often scheduled only once each week. In many cases, this does not meet the patients' or Services' medical needs.

A problem also arises when the dependent patient is released at a time which does not coincide with a military aeromedical evacuation plane returning to the home base. The dependent patient must either await such transportation or pay for commerical transportation. Waiting to return home after release from a hospital, when a person often remains in a recovery stage, can be a trying and difficult experience and detrimental to the morale of the entire family. Most importantly, however, it could adversely affect the health of the patient under the accepted medical theory that a patient often recovers faster in the home environment than in a hospital. The alternative of holding the dependent patient in the hospital so that the release coincides with the scheduled military flight is less cost effective than sending the patient home by commerical air. I urge this Committee's endorsement of the legislative proposal which will make explicit in law a practice which was followed without interruption for almost 20 years.

COPAYMENT FEE

I would be remiss if I did not comment on one final health care issue. There has been a growing interest in the Congress and elsewhere to impose a copayment, or user, fee on dependent outpatient visits at military hospitals and clinics. Proponents of this concept claim such a fee would generate revenue while providing a disincentive for dependents to visit clinics unless truly in need of health care. The Air Force strongly opposes the imposition of such a fee. We believe the fee would justifiably be perceived as a breach of faith of the promise of "free" health care in military treatment facilities made at the time of entry onto active duty. Hardest hit would be the families of 400,000 junior enlisted members in pay grades E1-E4. In addition, a user fee would have an adverse impact on CHAMPUS cost containment. The fee, coupled with long waiting lines in military treatment facilities, could be the "last straw" that drives many to turn to CHAMPUS as a more desirable health care alternative. We also believe that the administrative impact of such a fee has been understated. We estimate that $3 of every $10 collected would be spent on administrative overhead alone. Imposition of this fee would penalize the vast majority of people truly in need of health care and could cause some lower-income military families to defer needed care resulting in greater health risks for the family and ultimately increased cost to the government.

COMMISSARIES

The final component of the institutional support framework that I will address is the military commissary system.

Active duty and retired members are very concerned about repeated threats to eliminate military commissaries. Recent media reports on the recommendations of the Grace Commission and comments from certain members of the Congress have heightened members' concerns that these threats are in fact real.

The continued need for the commissary system has been reaffirmed by eminent study groups on numerous occasions. These studies based their recommendations in large measure on the fact that commissaries are an extremely cost effective investment. The members save more than $2 for every $1 invested by the government. A 1980 Hay Associates survey conducted for the Office of the Secretary of Defense showed that the perceived value of commissaries by the member is substantially greater than the actual value. The bottomline is that the real and perceived returns on investment have a profound influence on retention and career decisions.

Reducing or eliminating commissary support would deal a sharp blow to morale, a key element of military preparedness. The numerous letters we've received from the field lately only reaffirm my feeling that both active duty and retired members would view the loss of military commissaries as a serious breach of faith and a failure to uphold commitments. As you may recall, Mr Chairman, a proposal in 1975 to phase-out appropriated fund support of commissaries produced more negative constituent mail to the Congress than any other people issue in Air Force experience. Because of the extreme reaction of its constituents at that time, the Congress categorically rejected the proposal. I submit that a similar swift and negative reaction would occur today.

Often overlooked is the fact that commissaries also provide troop supply food sources in peacetime and in wartime. The peacetime operation of commissaries provides a trained cadre of expert military food logisticians for wartime supplies. These members are trained in the commissaries to obtain the basic skills of food inventory management, requisitioning, and pipeline and stock visibility. The importance of having trained and experienced people to keep the food supply lines open during wartime military operations was clearly demonstrated by the British experience in the South Atlantic.

SPECIAL AND INCENTIVE PAYS

Another vital aspect of the military compensation package is the system of special and incentive pays and bonuses. These are the vehicles which give the Services the required management flexibility to specifically target incentives when and where needed. These programs enable the Services to attract and retain personnel possessing technical or unique skills in high demand in the private sector.

SELECTIVE REENLISTMENT BONUS/ENLISTMENT BONUS

The Selective Reenlistment Bonus (SRB) budget request for FY85 is $93 million and the Enlistment Bonus (EB) request is $2.8 million. SRBs are paid in critical skills such as intelligence, communications, aircraft maintenance, computers, and engineering. EB skills include intelligence and explosive ordnance disposal.

The SRB program shows a growth in FY85, primarily because of the cost of installment payments obligated to previous reenlistees paid under the 50 percent lump sum/50 percent installment payment method instituted in January 1982. The $44.9 million for the FY85 cost of new payments is lower than FY84 and reflects reductions in the SRB program because of better retention and manning. The SRB program has been extremely effective in focusing on skills where shortages exist and retention is poor. However, there are still critical skills that have both personnel shortages and insufficient reenlistments. The SRB program must be continued to increase experience levels and meet manning requirements in critical skills.

The EB request reflects a leveling off of the program attributable to the current healthy recruiting climate. However, as recruiting becomes more difficult, we anticipate increased EB requirements.

Our most important concern for both the SRB and EB programs is that Congress must act now to extend the authorizing law which expires September 30, 1984. Without it, the Air Force cannot continue to capitalize on these demonstrably effective and cost efficient programs.

AVIATION CAREER INCENTIVE PAY

While special and incentive pays affect a number of critical skills, one particular incentive pay, Aviation Career Incentive Pay (ACIP), deserves special attention because of its pervasive impact in sustaining a professional, combat ready rated force. We are concerned that recent attempts to reduce or eliminate ACIP for some of our aviators could result in serious degradations in readiness. Aviators are our most expensively trained personnel. For example, average pilot training costs are $750,000 while it costs $1.6 million to train a pilot in one of our more sophisticated weapons systems such as the F-16. A loss of only 200 additional pilots in FY84 would more than offset our entire ACIP budget. They comprise one of the most difficult-to-retain career fields and carry a large share of the direct defense mission of the Nation. The Aviation Career Incentive Act of 1974 established a career incentive pay to aid our efforts to attract and retain skilled aviators. Current ACIP levels are tailored to provide the highest payments during the flying-intensive and most difficult career retention years of service. Because it is a career incentive, ACIP avoids imposing a financial penalty on certain rated officers who are selectively assigned to non-flying leadership, engineering, and war planning positions in which aviation experience is absolutely essential. A large fraction of such officers would be reassigned to operational flying positions immediately in the event of an emergency.

ACIP, along with reduced airline hiring and recent poor economic conditions, has resulted in excellent aviator retention. Following the serious depletion of rated experience during the late 1970's, the Air Force has made great progress in rebuilding our experienced aviator force and improving air combat capabilities. ACIP is largely responsible for this progress. However, as economic and employment conditions change, aviation retention will become more difficult. I cannot overstate the serious cost-ineffective consequences that would accompany a reduction of the career-incentive or income-stability aspects of ACIP. For example, if ACIP were denied to colonels who were not in operational flying positions, the loss of only two additional F-16 pilots at the 0-3 career-decision point as a consequence of this change would offset the $3 million savings that reductions in ACIP would produce. Our experience confirms that ACIP is a cost effective tool which should be continued in its present form.

OTHER CONCERNS

Any discussion of military compensation would be incomplete without addressing a few, significant, peripheral concerns.

PERMANENT CHANGE OF STATION REIMBURSEMENTS

In that regard, our people are becoming increasingly disadvantaged by the woefully inadequate levels of reimbursements they receive for expenses incurred due to government-directed travel. It is unfair to expect our members to continue to absorb unreimbursed expenses and incur substantial reductions in their standards of living each time they are directed to make a permanent change of station (PCS) move. A 1983 Air Force survey revealed that the government reimbursed only $1 of every $4 that individuals spent on a PCS move. The survey was designed to collect before-, during-, and after-PCS move costs for meals, transportation, lodging, car shipment, quarters preparation, house hunting, and damage claims. This translates into a median unreimbursed out-of-pocket cost of $1,519. The result is that our members are subsidizing moves required by the Air Force. These moves are a cost of doing business -- a cost our members justifiably argue should be borne by the government. The unfortunate consequence is that over half of our people need to borrow or withdraw from savings to meet PCS expenses. In addition to the median unreimbursed expenses, many members also incurred the following additional out-of-pocket costs:

- Loss on sale of automobile (30% of respondents moving overseas sold their cars)	$1,135
- Depreciation on automobile while in storage (15% of respondents moving overseas stored their car)	1,114
- Cost of selling a home (23% of respondents were home owners)	5,250

- Cost of buying a home (23% of respondents were home owners)	7,625
- Members forced to give up monthly net pay from second job (11% of respondents)	290
- Civilian spouses forced to give up monthly net pay from job (35% of respondents) (for example, loss of spouse's income could be for up to 36 months during overseas tour)	588

To help bridge the gap and relieve some of the financial burden of making a PCS move, we strongly support the President's FY85 budget proposal to increase the PCS mileage allowance from 13¢ to 15¢ per mile in FY85. This increase would achieve parity with the federal civilian employees who were authorized 15¢ per mile in October 1982 and will bring the allowance more in line with that provided non-DoD (i.e., Coast Guard, Public Health Service, and National Oceanic and Atmospheric Administration Corps) members. We've also included in the FY85 budget a proposal to increase the household goods (HHG) weight allowances for members in grades E-7 and above by 500 to 2,500 pounds and that the current HHG weight limitation of 13,500 pounds, in effect since 1966, be raised to 18,000 pounds to accommodate the proposed HHG weight allowance increases. The 18,000-pound ceiling will allow DoD military and DoD civilians to gain parity with other federal civilians and will help close the gap between military members of the DoD Uniformed Services and their non-DoD military counterparts.

We also propose the following additional PCS improvements which have been previously authorized but require funding:

- Funding the 4-day CONUS Temporary Lodging Expense (TLE) entitlement which was authorized by Public Law 97-69 in 1981. This entitlement is needed to reimburse members for food and lodging expenses incurred at the new duty location while they are waiting to occupy permanent housing. A significant portion of the unreimbursed out-of-pocket PCS costs stem from the absence of the TLE entitlement.
- Action correcting the inequity which our enlisted members endure during PCS moves and temporary duty assignments. Since FY82, the DoD Appropriations Acts have required DoD enlisted members to forfeit a portion of their per diem equal to their Basic Allowance for Subsistence (currently $4.87 per day) during official travel. This inconsistency places an additional financial burden on DoD enlisted members which is not applied to the non-DoD Services and should be corrected.

Senior Air Force leadership firmly believes PCS costs are an area where immediate, remedial attention is required. We have already noticed a reluctance among our people to make a PCS move. As the economy improves, we fully expect members will elect to leave the Service rather than endure further out-of-pocket costs. Therefore, we strongly urge the Congress to fund these programs and reduce the financial burden on our people and their families in FY85 and beyond.

PCS expenses, however, are not the only travel-related inequity facing our people. In the past few months, we have been working to resolve a problem affecting some members assigned to Alaska and Hawaii.

EDUCATIONAL INCENTIVES

Mr Chairman, another important people initiative needed to improve the institutional support framework is a change in the law to extend the expiration date of the Vietnam-era GI Bill beyond December 31, 1989. The December 31, 1989 date is producing two problems. First, it's encouraging early separation from the Uniformed Services -- members are being forced to retire or separate to take advantage of the educational benefits they have earned. Currently, 42 percent of the officers and 33 percent of the enlisted members in the Air Force are eligible for the Vietnam-era GI Bill. As the termination date draws near, many of these eligible members may decide to leave the Service to use their benefits. Second, those who do choose to pursue a military career will be penalized for this decision in that their benefits will expire before they have sufficient opportunity to use them. The Air Force strongly supports a change that would extend the deadline for usage to ten years after release from active duty.

In closing, Mr Chairman, let me reemphasize some of my earlier comments -- the Air Force has reached a critical crossroads with respect to military compensation and, as I have stressed here today, this issue must be the apex of our priorities. The emerging threats and already imposed reductions to many of our compensation programs are a concern to our officers and airmen. In short, we must preclude degradation of the compensation package through pay caps, restrictions on the VHA, efforts to restructure retired pay, IRS legislation, denial of necessary PCS initiatives, and attempts to phase-out or limit institutional support programs such as the commissary, which collectively have the ominous potential to bring us to conditions "deja vu" 1975. The critical difference now, however, is that we are in a buildup mode and do not enjoy the manpower cushion we had in 1975 with the large reservoir of experienced officers and airmen from the Vietnam War. Many of the decisions in the late 1970's proved to be costly fiscal misjudgements in terms of the nearly disastrous impact on recruiting, retention, and readiness. Mr Chairman, we need and solicit this Committee's strong support for the entitlements programs and initiatives so vital to the well-being of American servicemembers.

This concludes my statement, Mr Chairman, I will be pleased to respond to any questions you or other members of your Committee may have.

Senator Jepsen. General Mead?

STATEMENT OF BRIG. GEN. J. M. MEAD, USMC, DIRECTOR OF THE MANPOWER PLANS AND POLICY DIVISION

General Mead. We thank you for the opportunity to appear here today.

The Marine Corps today is a high-quality, well-trained, combat-ready fighting force. A major share of the credit for this favorable status lies with the military compensation issues approved by Congress, and especially this subcommittee over the last few years. These issues have enabled us to attract and retain the highest quality marines in recent history.

I have submitted a more formal statement and stand ready to answer any questions.

[The prepared statement of General Mead follows:]

PREPARED STATEMENT OF BRIG. GEN. JAMES M. MEAD, U.S. MARINE CORPS, DIRECTOR, MANPOWER PLANS AND POLICY DIVISION

Mr. Chairman and Members of the Committee,

I am Brigadier General James M. Mead, Director, Manpower Plans and Policy Division, Headquarters, U.S. Marine Corps. It is a pleasure to appear before this Subcommittee to discuss the extremely important area of military compensation. Life in today's Marine Corps is a mosaic of unique and complex duties, which require sacrifice from both the Marine and the Marine's family. They learn very early that the institutional support - of which the military compensation system is the core - is vital in enabling them to bear these sacrifices.

The military compensation system is a complex, multidimensional support system. It not only provides for the basic financial needs of servicemembers, but also makes it possible to attract and retain the right number of quality Marines in the right skills for the right length of time. In other words, the compensation system, which consists of basic pay, entitlements, bonuses that can be flexibly tailored to specific skill shortages, and retirement benefits, is also a force management tool. So, in its simplicity, the military compensation system does deal with the servicemember's pay. In its complexity, it selectively manages our critical skills and selectively provides the required mix of experience and youth.

During the past several years Congress has enacted many improvements to our compensation system. The results have been dramatic and we are most appreciative for your support. Generals Kelley and Maloney have previously testified before the full committee as to the record high-quality of your Marine Corps, which translates to a better trained, more capable fighting force. This success would not have been possible without the wisdom and foresight of Congress. But, compensation is not something that can be fixed and forgotten. The needs of individual servicemembers and the ability of the compensation system to satisfy them change continuously. As we enter a period of improving economic conditions and declining youth population, our ability to maintain today's high quality force will be challenged. A compensation system that adequately provides for these changing conditions is essential to keeping an effective combat ready Armed Force. In this context, I would like to address some specific compensation issues that are particularly important to the Marine Corps and its men and women.

Military Pay

As an institution, the military has a unique responsibility to take care of its own. Military pay touches all Marines and their families; regardless of whether the Marine is sitting off the coast of Lebanon or standing in the checkout line at the commissary. We must ensure that our young men and women who are asked to make personal sacrifices are paid in a manner that they perceive to be fair and equitable. We believe that this can best be accomplished when military pay raises are comparable to private sector increases. Since 1982 military pay raises have not kept pace with private sector wage increases. Using the Employment Cost Index (ECI) as a basis for measurement, military pay raises are 5.5 percent behind private sector pay raises. The proposed 5.5 percent pay raise will partially offset this lag.

The key to maintaining comparability is to link pay increases to civilian wages. The ECI can provide the necessary mechanism. It is a stable, predictable and understandable device which corresponds with 60 to 70 percent of our military occupational specialties (MOS). If it is generally agreed that military pay comparability is a desirable goal, then tying pay adjustments to the ECI makes sense.

Entitlements

Basic Allowance for Subsistence (BAS) and Basic Allowance for Quarters (BAQ) were established many years ago to partially reimburse servicemembers for living expenses. More recently, the Variable Housing Allowance (VHA) was created to help offset the high cost of housing. The amount of VHA, by law, is equal to the difference between the average monthly cost of housing and 115 percent of their Basic Allowance for Quarters (BAQ). In other words, the servicemember is expected to pay 15 percent of housing costs out-of-pocket equal to 15 percent of BAQ. This year, however, the Marine major or staff sergeant reporting to Washington, D.C. can expect to absorb housing costs out-of-pocket equal to 29 percent of BAQ because of caps and freezes during the past two years. This is more than double the entitlement absorption rate that Congress originally intended. We believe that the original purpose of VHA is sound. Servicemembers who are required to reside in areas where the cost of housing exceeds their BAQ by more than 15 percent should be compensated for that extra cost.

Servicemembers continue to be under-reimbursed for costs incurred during mandatory reassignments. Recent studies have indicated for every $4 spent on a PCS move, only $1 was reimbursed by the government. The shortfall is particularly acute when reimbursement to military members is compared to that received by civilian federal workers moving under similar conditions. Although several initiatives have been approved that would significantly alleviate this burden, funding restraints have prevented their implementation. PCS initiatives such as increased member monetary allowance in lieu of transportation (MALT), temporary lodging entitlement (TLE) and increased household goods weight allowance will reduce under reimbursed moving costs associated with making government directed moves. Your continued support for these measures is requested.

Additionally, your support will be solicited this year for revising special and incentive pay entitlements in line with findings of the 5th Quadrennial Review of Military Compensation (QRMC). Some special and incentive pays will be recommended for elimination while others should be strengthened. The 5th QRMC findings in this area are sound and should help our ability to attract and retain Marines.

Bonuses

The Enlistment Bonus (EB) and Selective Reenlistment Bonus (SRB) programs remain vital to the Marine Corps' ability to acquire and retain quality personnel in critical skills.

The EB Program is used to attract high quality individuals to critically short technical skills and to skills that normally do not attract a comparably qualified individual. Since Fiscal Year 1980 more than 10,000 individuals have enlisted for at least four years in these skills with an enlistment bonus. Enlistment bonuses are also used to spread the historic high summer accessions more evenly through the year. For example, by offering some June high school graduates higher bonuses to delay their enlistment until February we can better match personnel with available technical school seats. The EB provides the high quality personnel to be the Marine Corps' future leaders and technicians.

We are asking authority to increase the present maximum EB from $5,000 to the $6,000 and $7,000 levels in order to recruit high quality (Mental Groups I & II) personnel for 6-year enlistments. The high training cost (more than $25,000) and long training times of these skills (generally more than 1 year) make it desirable to enlist personnel in them for the maximum allowable period -- 6 years. The current $5,000 bonus has not attracted sufficient numbers of enlistees to meet 6-year recruiting goals; only 75 percent of the Fiscal Year 1983 goal was met. The $7,000 level will allow the Marine Corps to better meet its 6-year enlistment goals in costly, critically short skills.

The SRB Program remains the single most effective tool for reducing critical shortages in military occupational specialties (MOS's) by retaining qualified and proven Marines in these skills. The 37 percent reduction in critical skills achieved by the Marine

Corps in Fiscal Year 1983 was directly attributable to the effect of the SRB Program. In addition, the SRB program is cost effective. As an example, an improved HAWK Fire Control Repairer would receive the maximum SRB payment of $16,000 upon reenlistment. If this Marine did not reenlist the cost to recruit, train, and transport his replacement would be more than $82,400. The legislation authorizing the SRB Program expires on 30 September 1984; it is vital that this legislation be extended. The SRB Program is working, and it is cost-effective.

Military Retirement

The military retirement system is one of the primary force management tools available to the Armed Services. As you are aware, ours is a closed manpower system. Unlike civilian organizations, we must grow our own leaders. Our leadership today was brought aboard ten, twenty, or more years ago. Over that time those individuals have been educated, trained, and matured. Should we be unable to retain sufficient numbers of the best people, it will take years and hundreds of thousands of dollars to replace them. We do not have the option of competing with industry for pre-trained, experienced leaders to take the place of those who leave. Our retirement system is vital to making our manpower system work by encouraging sufficient numbers of experienced leaders to remain on the job.

It is significant to note that military retirement has already undergone changes. Military retirement annuities for those who entered active duty after 7 September 1980 will be computed on the average of their highest three years of basic pay (Hi-3); military retired pay is now rounded down to the next lowest dollar; semi-annual cost-of-living adjustments (COLA) have been replaced with annual COLA; and COLA has been capped at 50 percent of assumed CPI through FY-85. The specific effect of these actions on our force has yet to be determined, but studies which relate reduction in retirement benefits with individual career decisions give cause for serious concern. Further change could create manpower instability, and could actually increase manpower costs as we are required to recruit, train and mature Marines to replace lost careerists.

Mr. Chairman, this concludes my prepared statement. I will be pleased to answer any questions that you might have.

Senator **Jepsen**. Thanks you, General Mead.

TARGETED PAY RAISE

Gentlemen, my philosophy concerning military pay is we should spend our compensation dollars where they are needed. It is for that reason that I, along with Senator Exon, pushed hard for the targeted pay raise in 1981.

I have learned about two areas where we are spending military pay funds which do not appear to be able to return our investment. I would like to discuss these.

First of all, when a member signs up for the delayed entry program—and about 90 percent of our people now coming on active duty come through that program—he becomes a member of the reserve component, but he does not participate in any military activity during the time he is in that program. yet the first 6 months that those people spend in that program determines longevity, and the man gets paid for doing nothing.

It is estimated that in the neighborhood of $100 million is required in the military pay accounts which would not be required if this time did not count toward longevity. I and the staff have talked to a number of recruits about this. Not one knew what we were talking about, not one.

Some recruiters admitted that while this is part of the recruiting package, it is seldom used and of little effect, in their opinion.

I think the delayed enlistment program is a good management tool. It is good for the services, good for the recruiter, gives us more flexibility, but I don't think we need to spend military pay in this way, especially since no one appreciate it.

My question is what substantial detrimental effects, if any, would occur for future recruits if we stopped counting the time for the delayed entry program for longevity purposes?

General **Chavarrie**. I think we can do something as a collective group among the services. We can do something about recruiters not informing recruits of this benefit, because I agree with you, it is not right that they should not be told. We can fix that.

I do not believe that in an era when we are approaching some difficult time—a declining youth population, an impairing economy, and all the other attendant things—that this is something we should take away. I cannot make an estimate at this time of just what the damage would be, but I think we can do something about recruits not knowing anything of this benefit.

SERVICE LONGEVITY

Senator **Jepsen**. Well, I am not sure that is the issue, since it has not been utilized. In visiting with the recruits, you hardly get a shrug of the shoulder when you talk about it. You are talking about longevity. For someone just coming into the service, longevity pay has no meaning. For the career military man who has been there for 3 or 4 or 6, even more, 10, 15, 16 years longevity, then has meaning.

What I am saying is we look for all kinds of ways to make the military attractive. In the field of people benefits, which I had some business experience with for nearly a quarter of a century in the insurance business, we are talking about fringe benefits. You will find what we used to call BEU, better employee understanding. The theory behind that BEU program was that if employees do not understand benefits, they cannot appreciate them. If they cannot appreciate them, then you are not getting your dollar's worth in extra loyalty, extra work productivity, whatever it may be.

Longevity is a long-term consideration. It takes some time to explain just exactly to a new person not familiar with the military, and which is basically the case with all recruits when it comes to longevity. It is a distance far enough in the future that I question whether it would have any detrimental effects if it weren't there. It certainly is not appreciated today, even though we are only talking about $100 million.

I say that facetiously. A million here, a million there, a hundred million here, a hundred million there, it adds up to money after a while.

I wonder whether we really need this.

General **Chavarrie**. Sir, if I may, one of the services might want to comment on that, and their experience with recruiters.

General **Mitchell**. I would make the observation, Mr. Chairman, that first of all, we are not sure what the extent of the cost of this program is, but I can assure you that for the Army, the delayed entry program is a critical component of our recruiting management.

We access somewhere in the neighborhood of 135,000 to 140,000 soldiers annually, and it is essential that we have this pool in which to regulate the flow into the training, so that we have enormous waste of facilities if we are unable to do that. To the extent that this feature attracts people into the delayed entry program, I have to admit to you, Mr. Chairman, I am not sure. The issue has been identified to us, and we are examining it for its utility and importance.

Senator **Jepsen**. In the delay, I just wanted to check with staff. There is a whole package presented in the recruitment process. That includes, as I understand, they will be guaranteed a promise that they can go to a branch of their choice, a school of their choice. Benefits are explained in the pay package, and so on and so forth. Now if you do it also in 4 or 5 months you might be called in. You get longevity somewhere down the line.

Well, unless somebody else has some comments, we will not run on with this. Is there anyone else on the panel who would like to comment on it?

[No response.]

RESERVE RETIRED PAY

A second question, and the last one, and then we will go to Senator Dixon, the second is related to Reserve retired pay.

When a service member completes his eligibility requirements before he attains the age of 60 he is transferred to the Reserve. He is placed on the retired list. Then when the reservist reaches the age of 60, he begins drawing retired pay. However, that retired pay is not based on this basic pay rate when he completed his duty, but rather on the basic pay rates and the time that he receives retired pay, and the time between his retirement at age 60 is counted for the purposes of determining the years of service category upon which his retired pay would be based.

Once again, we are crediting for longevity purposes the time during which the member is performing no service to the military.

Would you please tell me what adverse effect will occur, if any, if in the case of future retirees we were to stop counting the time between retirement and attaining age 60 for purposes of determining the basic pay level upon which the reservist retired pay will be based? After all, they did enter the service. They did enter the Reserve commitment. They did enter into the contract at the basic level of pay that they took when they entered and also when they left, and they understood that and accepted it.

General CHAVARRIE. Sir, I think the Fifth QRMC examined this in detail. Maybe General Sherman can talk about it.

General SHERMAN. Sir, we took a look at both active and reserve retirement. Although reserve retirement was more difficult to understand for changes in compensation level; that is, retirement pay, we believe we would have the ability to sustain the force, which is a primary criterion upon which we evaluated various alternatives. If you eliminated the longevity step, it would reduce the outlays by about 4 percent in the long term, that are attributable to reserve retirement. We did not measure the impact that would have upon our ability to attract people into the Reserves and retain them.

Senator JEPSEN. Would you describe it as an equitable provision?

General SHERMAN. It is not an equitable position between the active and the Reserves. No; it is not.

Senator JEPSEN. Did you describe it, or has it been described as an inequitable position?

General SHERMAN. I have heard it described as that, yes. If one changes those types of things, though, one needs to be careful about how one does it, because there are comparable situations to be accounted for. For instance, the inflation adjustments that are made to the active retired pay in retirement reflect cost-of-living changes. Part of inflation is accounted for in the active duty pay table used at the time that a reservist reaches the age of 60 and reserve retired pay is computed.

General CHAVARRIE. Mr. Chairman, there are a lot of studies that have to be done on the Reserve Forces, especially in the Army. There is so much emphasis now on total force. The Army of the future will rely more than 50 percent on the Reserve. We just now are beginning to look into the Reserve compensation system—to retirement, pay and allowances, entitlements, contracts they have made in the past, and so forth.

We just have not studied it the way we have studied the active force in terms of retirement entitlements. We are beginning to do that, and the fifth QRMC was a good start. There are a lot of unknowns in Reserve pay and entitlements.

Senator JEPSEN. General Oaks?

General OAKS. Yes, Mr. Chairman. I think it is important to keep in mind that during this period of time we are talking about, before age 60 they constitute a mobilization asset. He is getting no compensation during that period of time for that status. I think as we discuss this topic it is important to keep in mind that he is not out and forgotten.

Senator **Jepsen**. And to make that complete, it is the same after retirement.

General **Oaks**. Yes; that is my point. During the period of retirement following his Active Reserve service and before he is age 60 but following his retirement from the Reserve, during this period we are talking about, he is a mobilization asset.

Senator **Jepsen**. The law was changed last year. Once he starts getting paid, he can also be called back.

General **Oaks**. Yes, sir. You can think of that as——

Senator **Jepsen**. That is one way to look at it, and it is something that should be considered.

General **Oaks**. Yes.

Senator **Jepsen**. Anybody else?

Senator Dixon?

AVIATION OFFICER CONTINUATION BONUS

Senator **Dixon**. Admiral Herberger and General Mead, I would like to talk to you about the aviation officer continuation bonus, specifically the Navy Times article of February 6, 1984. Are you familiar with that and the charts on Marine pilot and Marine NFO inventory and Navy pilot and Navy NFO inventory?

Now, first of all, may I ask each of you, are you giving the bonus to all aviators between 6 and 10 years of service who agree to commit themselves to additional service right now? Is this true in the case of both the Marines and the Navy?

Admiral **Herberger**. Yes, sir, it is.

General **Mead**. That is correct, sir.

Senator **Dixon**. As I understand what occurred last year in fiscal year 1984 the 1984 Defense Authorization Act authorized this bonus only for pilots.

General **Mead**. That is correct, sir.

Senator **Dixon**. The 1984 Defense Appropriations Act apparently overrode this authorization language and said that both the Navy and the Marine Corps could pay the bonus to all aviation specialties, where shortages exist. Is that correct?

Admiral **Herberger**. Yes, sir.

General **Mead**. Yes.

Senator **Dixon**. May I ask you first, Admiral, whether this is correct? My charts here show that with reference to Naval pilot inventory, there is a shortage, a slight shortfall of 97 percent. Is that correct, of lieutenant commanders, a shortage of 3 percent.

Admiral **Herberger**. In 04 for 1984 our projection is 97 percent of inventory versus the authorization.

Senator **Dixon**. And for lieutenants, 83 percent.

Admiral **Herberger**. Yes, sir.

Senator **Dixon**. If I read the chart correctly for NFO inventory, that is nonpilots, you have in the lieutenant category 101 percent. You are over your authorization.

Admiral **Herberger**. Yes, sir.

Senator **Dixon**. And lieutenant commanders, 118 percent. Would that be correct?

Admiral **Herberger**. Yes, sir.

Senator **Dixon**. General Mead, with respect to the Marines and pilots, both in captains and majors, I show you substantially over, if I read the chart right, 149 percent in captains, 129 percent in majors.

General **Mead**. That is correct, sir.

Senator **Dixon**. In NFO, I show you over in both grades, 146 percent in each.

General **Mead**. That is correct, sir.

Senator **Dixon**. Now, I want to make sure I understand this. In both cases, both the Navy and the Marines are paying the full aviation officer continuation bonus, are they not?

Admiral **Herberger**. [Nods affirmatively.]

General **Mead**. That is correct.

Senator **Dixon**. So I assume that somewhere along the line someone has made a high policy determination to either ignore the words "where shortages exist," those three words, or have made a policy determination that those words do not mean anything. I wonder whether you could clarify that for the Senator.

Admiral **Herberger**. Senator, I would like to answer it this way. The 1984 aviation bonus has been applied to all aviators and all aviation specialties, because in the aggregate we had shortages in the midgrade both 03 through 05. In those instances where we have specific areas with excesses, those excesses are being used in billets where we have shortages. In the aggregate, we still have shortages in the midgrade. It is particularly important, because it is in the midgrade where we need the experience.

Senator **Dixon**. Define midgrade for me.

Admiral **Herberger**. 03 through 05. Lieutenants, lieutenant commanders, and commanders in the Navy.

Senator **Dixon**. That would be in the Marine Corps, captains, majors, and lieutenant colonels?

General **Mead**. That is correct, sir.

Senator **Dixon**. Well, your apparent position then is that the shortages do exist in categories other than the categories I have named?

Admiral **Herberger**. Yes, sir. In that general range, they still exist.

Senator **Dixon**. In the 6- to 10-year window?

Admiral **Herberger**. Yes, sir.

Senator **Dixon**. General?

General **Mead**. Not so technically with the Marine Corps.

Senator **Dixon**. I understand that. It may be arguable as to one category with the Navy. It would be my firm impression that it is not true with the Navy in the other category, although I would yield to the Admiral's superior knowledge. That is to say, it may be arguable what you are saying, Admiral, with respect to pilots. It would appear to me that it is not arguable with respect to NFO's.

Admiral **Herberger**. Again, in the aggregate, we have the shortages. We use NFO's in place of pilots, not in the aircraft themselves, but in other positions requiring aviation experience. In those specific grades of NFO, yes, there are excesses.

Senator **Dixon**. I am trying to determine whether it is not a fact, and I believe it to be a fact in the charts that three out of four categories, one of the two categories with the Navy, clearly you have full complement, that is, in NFC's in the Navy and NFO's and pilots with the Marine Corps. Three out of the four categories, this would be true, would it not?

General MEAD. Yes, sir.

Senator DIXON. Let me pursue it further. It is also a fact, is it not, that it was conferenced on this very specific question discussed between the House and the Senate, and that it was the determination in the authorization bill, at least originally, that only pilots would be accommodated by this. I mean, that was a fact of the authorization legislation, was it not?

Admiral HERBERGER. That is a fact.

Senator DIXON. It was conferenced. Both Houses discussed it.

Admiral HERBERGER. Yes, sir.

Senator DIXON. Now, do I understand, that for those people in that window of 6 to 10 years, the aviation bonus level is for a 3-year commitment, $3,000 a year, a total of $9,000, a 4-year commitment, $6,000 a year, a total of $24,000, a 6-year commitment, $6,000 a year, a total of $36,000? Is that correct?

General MEAD. That is correct.

Senator DIXON. Is it further correct that the amount in the fiscal year 1985 budget for this is $21 million?

Admiral HERBERGER. The correct budget figure is $27.2 million; $5.1 million of that is for new payments, and the remainder for the Navy are anniversary payments to contracts that have already been made.

Senator DIXON. All right. Now, is this a distinctive program separate and apart from the Air Force with respect to the 6- to 10-year window?

General MEAD. To my knowledge it is.

Admiral HERBERGER. I am familiar with the Navy program.

General CHAVARRIE. That is right.

Senator DIXON. We have a different program with respect to the Navy and the Marine Corps than the Air Force. Now, is it also true right now that in the 6- to 10-year window when this was originally developed as I understand it there was a very substantial personnel flow out of the service to obtain jobs commercially, flying commercial aircraft? Is that why this program was originally created?

Admiral HERBERGER. The program was created due to poor retention, and certainly the draw from the civilian aviation field was a draw on pilots. All those who left the service did not necesarily go with the airlines, but yes, that was a significant factor.

Senator DIXON. But it was a significant competitive factor in your experience?

Admiral HERBERGER. Yes, sir.

Senator DIXON. That would not be true right now. Is that not the case? That is to say, job opportunities in that category are very slim now for people in the private sector.

General MEAD. I cannot authenticate that, sir. The Marine Corps had a 14-percent attrition rate during the years 1978, 1979, and 1980. In fact, once AOCP came in, we dropped that down to 6 percent, so we had about a 58-percent decrease in our attrition rate.

Concerning pilot attrition, we find it is really not the commercial airlines' hiring practices, but rather the economy itself.

Senator Dixon. Is it not further the case, would both of you agree to this, Admiral Herberger, and you General Mead, that it was to be a discretionary type fund? That was my understanding of it. As I read the terminology, it was to be a discretionary type, usefully employed discretionary tool to keep some people in those 6- to 10-year categories.

General Mead. Yes, sir. I would like to elaborate on that if I may. Your questions have been pointed, sir, and I have answered them pointedly. We do have a shortage, not in the captains or majors, but in lieutenants. We only have 51 percent of the requirement of our lieutenants. What has happened over the years is, as they flow through the training command, our aviators get to their squadrons later and therefore do not spend very much time as lieutenants before they are promoted as captain.

What we have not done is kept up appropriately with our tables of organization. They should reflect more captains and fewer lieutenants because of that fact. So, where we find ourselves is, when you put the two together—when we manage our lieutenants and captains as company grade officers—you find that we do have a shortage. Based on that, because you have a shortage in the lieutenants, you want to then retain more of the captains. This is the individual, that captain at the 6- to 10-year mark, that you can only retain, the guy out there is flying your brand new F-18, CH-53 Echoes, our new aircraft.

What has happened in the Marine Corps, because of the AOCP, because of last year, we have been able to retain above our normal attrition rate 24 aviators. That cost us $3 million. To replace those aviators, it would cost us $850,000 each, so that is $20 million. What we have been able to do, Senator, is decrease the input side in pilot training ratio. Instead of bringing in 495 pilots per year, we find ourselves now in a situation because of the success of AOCP of only bringing in 435. So that is 60 aviators. That is $50 million we have been able to save by decreasing the training flow.

What you really have in the Marine Corps is an anomaly. It says under the captains that we are 149 percent above our requirement. When you add both of them together, the lieutenants and captains, we really are short. That is where we are targeting right now.

Senator Dixon. May I say this, General Mead? I want to read you a quote from a front page article in the Navy Times last month quoting a senior Marine Corps manpower official as follows about the aviator pilots. I quote directly.

> We don't need it. Marine attrition rates are much lower than the Navy's. The AOCP program fixed our manning problems and is no longer needed.

I want to make these observations with respect to this. First, the Congress passed on it and conferenced the question. It was a point of conference that they discussed at length. The determination of the Congress by a majority was that it should relate only to pilots, not to NFO's. That is point 1.

Second, apparently the Secretary of the Navy came in and reversed that in the appropriations bill without any discussion in the Congress or the knowledge of the average Member of the House or Senate. But following up on that, notwithstanding this fact, all charts indicate that the Congress first decision was absolutely correct. You don't need it for NFO's where you have an oversupply in these categories in both the Navy and the Marine Corps.

I would further point out that even as to pilots, it is only needed by the Navy, not by the Marine Corps, but even beyond that, it was intended to be discretionary, but both branches of the service have used it carte blanche for every member of the personnel that falls in the 6- to 10-year window.

So I guess I would say in summation to all of this that after all that, we compare it to the Air Force, which does not have similar treatment, so that it is a category relating only to your branches of the service as distinguished from the Air Force, and I would finally come to the conclusion that we are then addressing $21 million, which I would suggest ought to be subject to some evaluation, first as to fairness between the various branches involved, second as to its usefulness to the NFO category, and finally as to whether it is being discretionarily employed as distinguished from being employed across the board.

I would like to hear what you both say about that. May I interrupt one more time to quote:

> The committee expects within the Navy and Marine Corps if the retention levels of one category of aviators ceases to be a problem, then payment of the bonus to that category would cease even if payment to another category is warranted and continues.

I quote the committee report. I call attention to the result of the conference report, and ask in summation if you would address the whole question as to the method in which you employ this particular incentive program.

Admiral HERBERGER. Senator, in fiscal year 1983 the pilot retention rate was 58 percent, and the NFO, the naval flight officer, was 74 percent in the aggregate. We did not have an AOCP authorization in fiscal year 1983, so in 1984, when it was authorized, we applied it to all those communities, all the specialties, in consideration of the lengthy delay realized since the new payments were authorized. It is over a 15-month period.

This was to insure that we were taking care of those individuals who remained in the service, because there was an awful lot of optimism that, since it was so cost-effective, that, in fact, we would get it authorized in 1984. There was that period when we had individuals who were passing into the window. Originally in 1981, 1982, the window was from 6 to 16 years.

The 1984 program was constrained down to just that 6- to 10-year point. The point was that, due to the expense of training aviators and NFO's, for every one saved, AOCP was extremely cost-effective, extremely cost-effective. Therefore, all the prognosis on whether or not we would get it again was favorable. A lot of individuals again, I sense, took that into consideration in making career decisions.

So when it was authorized for 1984, at that particular time we still had aggregate shortages. It was still working well. For every one we retained, we were saving many, many, many millions of dollars in the aggregate in training costs. Whether or not the airline industry would turn on again and start drawing remained to be seen. We were going through a period of time when there were projections for improved economy, projections for airline hirings that did not take place.

So, yes, we are getting better. This program has been the most cost-effective program in alleviating a serious shortage of pilots and NFO's. In 1981, we had over 2,000, 2,323 midgrade shortages, and by 1984, to this current time, we are down to about 809. This is where they are growing in strength. So it has been effective. It has been cost-effective. We felt when we authorized the 1984 program for all the specialties it was the right thing to do at that time.

We have in staffing now a target program being reviewed.

Senator DIXON. I will yield my time, because Senator Exon has to leave, but at the proper time I will come back to this.

Senator JEPSEN. Senator Exon?

Senator EXON. Thank you, Mr. Chairman.

I have been listening with keen interest to the discussion that has been going on, because I played a role in that when I was ranking minority member of this committee. I think the answer to your question from my perspective, Senator Dixon, is that is the way the Secretary of the Navy wants it, and that is probably the way it will be.

Senator DIXON. Well, that is still at issue, as to whether that will be the way it will be.

Senator EXON. I think that is the bottom line. I have discussed this with the Secretary on many occasions. He may have some kind of a point. When you listen, as I have, very carefully to this discussion, it comes down to the bottom line that the program that many of us pushed for very hard during that time when you were in deep trouble, Admiral, has been so successful that it probably should not be continued. I think there is considerable justification for at least a cutback in the program. My friend, the Secretary of the Navy, does not agree with that. I am glad you are delving into it.

RETENTION AND RETIRED

My question, gentlemen, has to do with a rather important matter down the road as we look to retention, and also with regard to our retired people. You know there have been many studies including the recent Grace Commission study, which have considered ways to try to reduce health care costs without reducing the overall quality of that service. Coordinating benefits with health care coverage has been presented as one alternative.

As I understand this alternative, it simply says no nonactive duty personnel, retirees, and military dependents, who have health coverage in addition to that provided by CHAMPUS would have their private coverage share or bear the cost or a portion of the cost of the medical expenses at military facilities.

Currently, however, an exclusionary clause as you know in the private insurance contracts preclude any payment for care provided for Government health care facilities at military and VA facilities. Does the Department of Defense advocate legislation to preclude such an exclusionary clause in the private insurance contract? That is the first question. Is there any formal request for this that any of you know of? Are you aware of any attempts outside DOD to preclude exclusionary clauses? If so, what do you think of it with regard to our overall approach to our manpower needs?

General CHAVARRIE. I think since last October we have had in place a program whereby CHAMPUS beneficiaries are required to have their private insurance plans, if they have any, assume the first payment of medical costs and CHAMPUS then pays the remainder. As I understand it, that has been in effect since October of last year. So that if you have a private insurance program, that is used first. Then the CHAMPUS payments come second, so the cost is being borne by both private insurance and the Government.

Senator EXON. By the private insurer?

General CHAVARRIE. Yes; the private insurance programs pay first, then CHAMPUS payments come in second.

Senator EXON. Does the individual have the right to make that choice, or is he told the way to handle it?

General CHAVARRIE. No, sir, I think he does not have that choice.

Senator EXON. He does not have that choice?

General CHAVARRIE. This is actually in the law. The amendments of October 1, 1983 are such that the member does not have that choice. He must first make the payments from his private insurance plan. Then whatever remainder is necessary will be paid by the CHAMPUS program.

Senator EXON. Are you telling me that is in the law now, general?

General CHAVARRIE. Sir, I think John——

General MITCHELL. It is my understanding, Senator, that that was corrected in Public Law 98-94.

Senator EXON. What does that say? What the general just said it does?

General MITCHELL. Indeed, sir, that the CHAMPUS, the bottom line is that CHAMPUS is second payer. Now, Senator, you referred to some exclusionary clauses that are in private plans.

Senator EXON. There is some discussion as I understand it to go even further, but let us pursue this just a little bit further. If I understand what you are saying, then, at the present time if a retiree or their dependents have to go to the hospital, they are first required to employ all of any private insurance that they have.

[General Mitchell nods affirmatively.]

Senator EXON. Then there is no sharing? In other words, if a retiree or one of their dependents goes into a hospital, the entire cost of that hospital for the first month, let us say, to narrow it down, is paid by the private insurance, and CHAMPUS picks up none of the costs. Is that correct?

General MITCHELL. That would be my understanding of the current law, sir.

Senator EXON. And there is no sharing of costs or anything else?

[General Mitchell nods affirmatively.]

Senator EXON. Supposing the medical bill for that first month of treatment is over and above what the private policy pays. Does CHAMPUS pick that up?

General MITCHELL. CHAMPUS would pick that up, Senator, if the other machinations of the CHAMPUS program had been satisfied, that is, the contributory element had been paid that particular year, and so forth, but if those elements had been satisfied, you are correct in your assumption. CHAMPUS would pick up the balance.

Senator EXON. We can check the law out on that. Either because of the law or because of the policy at the present time we are making some savings in the CHAMPUS program because we are insisting that they use their private coverage in the first instance.

General MITCHELL. This legislation, as I understand it, was offered by OSD as a result of this committee's interest in cost containment in the CHAMPUS program.

Senator EXON. Let us go back to exclusionary clause. Have you heard any talk in the Department of Defense for consideration of a need for addressing that exclusion rule that currently exists in the private insurance industry?

General MITCHELL. Sir, I have to plead ignorance of that. I do not know.

General CHAVARRIE. I do not either, Senator. We have a lot of things churning with the new Assistant Secretary of Defense for Health Affairs, who works closely with us on benefits, but we can certainly go to the experts on the exclusionary clause matter and get you the answer that you need.

Senator EXON. Well, then, from what you have told me, you say that you are already using that as much as you can. The savings then that the Grace Commission report said we could make in military appropriations just are not there. Are you telling me that we are already doing what the Grace Commission said we should do?

General CHAVARRIE. This is one where I think the answer is, yes, we are. The Grace Commission is being looked at, as you know, in the executive branch. We have not provided executive branch recommendations to the Congress, but I think that I am correct in saying yes.

Senator EXON. Just one more question so that I can nail this down. If I were a retiree that was qualified to go to a veterans hospital, I could not go there and receive that treatment if I had some other coverage with the company that I am working for since I left the service? I have no election there. I have to use that. Is that right? That is what I took from your testimony.

General CHAVARRIE. No, sir, but I think our health affairs folks would be the experts on that subject. It is my understanding, however, that if a retiree went to a hospital, he would be entitled to care. I believe that there is consideration being given to a proposal that would take into account a payment from whatever private medical insurance program he has as well as the Government costs, whether it is veterans benefits or CHAMPUS.

But I would rather let the experts answer that.

Senator EXON. Fine. General, are you an expert?

General OAKS. No, sir, I think the difference is the provision we have talked about covers CHAMPUS in nonmilitary hospitals. The question arises over military and Veterans' Administration hospitals. We are looking at legislation to correct that, but General Chavarrie is right. The experts should look at that in detail.

Senator EXON. Gentlemen, thank you. I would ask if we could keep the record open on this and let you supply us information for the record so that we would at least have an understanding here of what the ground rules are and how it is operating.

General **Chavarrie**. Certainly.

[The information follows:]

COORDINATION OF HEALTH INSURANCE BENEFITS

CHAMPUS currently requires beneficiaries to use other health care insurance benefits prior to billing CHAMPUS for care received. This policy is working well and has saved millions of dollars. The Department of Defense is being urged by the Congress to extend this practice to military hospitals and clinics by October 1, 1984. What is required is that military dependents, retirees, and retiree dependents who have private health insurance charge these companies for care received in military treatment facilities. Accordingly, the Department of Defense has prepared draft legislation to implement such a policy. This legislation is currently at the Office of Management and Budget for further action.

The Veterans' Administration already has such a policy in effect for its patients who have private insurance coverage and bills such insurance companies for the care received at VA hospitals. However, because of the existence of "exclusionary clauses" (an exclusionary clause in this case refers to the insurance industry's standard practice of excluding reimbursement for care provided in government facilities), we understand that there have been negligible returns from this policy. The Veterans' Administration proposed legislation to prohibit the practice of applying exclusionary clauses to patients in VA facilities, but this legislation has failed of enactment.

The Department of Defense draft legislation contains language to overcome exclusionary clauses as well. Absent such language, it will not be feasible to pursue a coordination of benefits policy in military treatment facilities. Therefore, while the Department supports the coordination of benefits concept as an important cost-containment measure, unless a provision to obviate the effects of exclusionary causes is enacted, it will not be feasible to implement such a program.

Senator **Jepsen**. I would suggest, being somewhat familiar with the insurance business, that the question is whether we make it mandatory for the private sector to not exclude those on CHAMPUS. Second, in a broader sense, you have an insurance industry. Out of necessity you must have cooperation and understanding, some kind of arrangements so that there is not duplication of payments. It has been pretty loose in the past, and as happens, costs increase dramatically, and insurance is provided to provide care for risk. We try to avoid getting into a situation where people make money when they get sick because they stay sick longer and it costs more money, and it makes the costs go up for everybody else.

So that is what is involved here, and I would be glad to have information on that. There will be a number of questions on this and other topics for the record at this time. Is there anyone on the panel that would like to make a closing statement or has something further before we leave?

Senator **Chavarrie**. Senator, in closing, may I just say two points? We have said them before, but we mean them. That is why I would like to say it again. That is that we thank the committee, the full committee, your subcommittee, and the Congress for the support that you have given us in the past 3 years over all aspects of compensation, pay entitlements, benefits, and we solicit earnestly your support in the future because of the situation we are going to have with the economy, and we thank you for that.

Senator **Jepsen**. Anyone else?

I just want the record to show that I recall in the discussion that was held here for some time this morning with regard to the bonus and so on that we were talking about targeting, we were talking about spending money where it is needed to get the job done rather than having the same for everybody; I think we should understand with due respect to the Navy and the Marines, that in comparing them with the Air Force, there are some unique situations being on an aircraft carrier in the middle of the ocean some place. The unattractiveness of being away from the family for that long a time is unique with both the Marines and the Navy.

The fact should be combined with the thought of trying to land on a dark night on a roaring ocean on a flight deck. There is not much latitude for even a tiny little bit of error or misjudgment. Everything else considered, the targeting was done to correct the situation which existed in the mass hemorrhage we had not only in the senior noncommissioned ranks but in the commissioned ranks of people with 8, 10, 12 years of service.

So I guess before we thrash out too many changes, we ought to remember the adage that we learn in and out of the military whether it be in this instance of targeting or in the private sector with Bell Telephone. We ought not to fix something that is not broken.

It is human nature. Once you have a problem, then you attack the problem, then you solve the problem. Then there is an immediate attempt to stop doing what you are doing if you are successful, which when you reflect on it in the light of day does not make a whole lot of sense.

So, having said that, I would close with this. Gentlemen, we are this year faced with some tightening of the belts and some sharing of the reduction in Federal funds for expenditures in the defense area. We know that. And that if history repeats itself, manpower and personnel along with operation and maintenance, gets postponed compared to certain systems and items. I would ask that you be even more vigilant as this year progresses, and that you do not hesitate to advise this subcommittee and this subcommittee chairman as you hear or see things unfold that in any way looks like will result in the men and women of our services getting shortshrifted.

I happen to feel that the morale of the men and women in service is priority No. 1. You can buy head power and you can buy hand power, but you cannot buy heart power. That is what America is all about when you get right down to the bottom line. So I look forward to working with you.

Our second panel will consist of Sgt. Maj. Mac McKinney, U.S. Marine Corps, retired, executive director, Reserve Officers Association; Rear Adm. Robert Spiro, Executive Director of the Reserve Officers Association; Col. George Hennrikus, U.S. Air Force, retired, Director of Legislative Affairs for the Retired Officers Association.

Gentlemen, at this time, we will just take a 5-minute break, and we will be right back. We do have to vote. I will go do it and be right back. We will take a recess for 5-minutes.

[Recess.]

Senator **Jepsen**. Welcome, gentlemen. We will start with Mac McKinney, U.S. Marine Corps, retired, executive director of government affairs of the Noncommissioned Officers Association. Mac, will you proceed?

STATEMENT OF MAC McKINNEY, U.S. MARINE CORPS, RETIRED, EXECUTIVE DIRECTOR, GOVERNMENT AFFAIRS, NONCOMMISSIONED OFFICERS ASSOCIATION

Sergeant Major McKinney. Thank you, Mr. Chairman.

Again, we extend appreciation for this opportunity to express the views of the association.

Our theme of the statement which I have provided, the prepared statement, which I hope will be placed in the record——

Senator Jepsen. It will be entered in the record as if read, as will all statements. You may proceed.

Sergeant Major McKinney. Thank you.

Our theme is retention of qualified and experienced military personnel to insure maximum readiness of our Armed Forces. We have provided in the prepared statement a number of warning signals which we feel point to the fact that perhaps all may not be well in the coming years, particularly in fiscal year 1985. We have listed a number of these, and most of them are fairly well indicative of the same type of warning signals that began to show up back some 10 years ago.

Of course, this organization went before Congress at that time and warned them that all was not well with the force. However, until the Chief of Naval Operations came over here to Congress and indicated that he did not have enough petty officers to take the Navy's ships to sea, did Congress take any heed to the warning signals we provided earlier.

Of course, in 1980 and 1981 this committee felt sure that something had to be done, and it did take positive action, and as a result, we think we now have a quality force that we can all be proud of, but we would like to see it stay that way. Now, on active duty strengths, for example, we feel that with the commitments the active duty forces have today we just do not have sufficient numbers of people out there to fulfill those commitments.

We have provided in our statement on page 4 a chart showing the disposition of our personnel, active duty personnel, around the world as of September 30, 1983. According to the statistical data I have from DOD, just in CONUS alone, for example, where it shows 1.3 million people, that is 200,000 less than we had in the previous year. So it does mean that more of our active duty people are being utilized in other than CONUS. We feel there should be some increase in the active duty force.

That will have to be up to the wisdom of this committee, but we know that many are thinking very strongly about increasing the reserve strength in lieu of the active force, and we have no objection to this, but we feel if Congress does insist on increasing the reserve forces, that perhaps it should give the authority to the active forces to call in reserves and put them on duty for periods of perhaps 36 to 48 months to relieve some of the pressure that is being placed currently on the active forces.

We have also asked for an increase in the Coast Guard Reserve. They are in bad shape as far as their reserve manning strength is concerned, some 3,000 to 4,000 people short. We believe that if we do not give the Coast Guard sufficient time to start recruiting these people, perhaps fiscal year 1986 may be too late.

There are a couple of military manpower proposals we would like to address. One of them that may be considered by the panel this year in the authorization bill would allow foreign youths to be recruited by the Army. We certainly endorse that, and hopefully the subcommittee will take cognizance of that fact.

The other one, which we strongly oppose, is to allow civilian personnel to go into a community or a technical school, receive ROTC-type training, and then come into the military in senior NCO grades and petty officer grades as high as pay grade E-8. We oppose that, and we will provide more information for the record, if the chairman would like to have that information.

On military compensation and related benefits, we concur with the President's recommendation in some respects. We do feel that a 10-percent increase in pay would be more like what the forces need, but if Congress does approve and fund all the personnel programs retained in the defense request this year, plus those that have been authorized in the previous years, we could accept the 5.5 percent pay increase, but only as a minimum base.

We conducted two limited studies; that is, the association did, over the past 2 or 3 months. On page 8 of our prepared statement, we have provided a chart which goes back to 1982, because that is the latest figures we could come up with. It shows the average civilian pay in 1982 compared to the average cost of RMC for enlisted and all members during that particular year. By adding 4-percent increases to pay and allowances in 1983 and again another 4 percent in 1984 we've come up with the comparative 1984 figures.

If you will notice, the enlisted people will come out below the lowest average civilian pay of 1982. Granted, this does not include variable housing allowance, and we did not include variable housing allowance in that statement simply because in relationship to all military personnel only about one-third of the total strength of the enlisted people draw that particular allowance.

We also did another study on comparing a maximum annual compensation for five military pay grades compared to the nearest Federal employee pay grade going back to 1942, bringing it up to the 1983 level. If you will note, there is quite a bit of difference generated in those figures as they have come up through the years.

In the case of an E-7 with 14 years of service, we found that anyone in that pay grade received a maximum of $3,700 annually in 1942. The nearest Federal employee grade that earned close to this amount was then a CAF-10F at $3,800. That was $4,000 minus the $200 contribution to the Civil Service Retirement Fund. In 1984, that E-7 pay grade now could earn $21,927—this is $23,136 less social security contribution—while the Federal grade, now a GS-10, step 6, had an annual wage of $24,792, or a gross pay of $26,908 minus retirement, old age, and health insurance contributions.

For a 10-year period, 1975 to 1984, that Federal grade offered an estimated $37,000 more in salary than that of the military pay grade E-7.

We bring these to your attention to show some comparative figures for the committee's consideration. We feel that in many cases, although we did not add a considerable number of allowances because we found that about only one-third of the enlisted force earns any extra pay and allowances in, for example, bonuses and proficiency pay, family separation pay, et cetera; there were deliberate compressions in some military pay grades. We feel that many should be crediting the service members with more than what is debited against them, and we have mentioned a few of those credits in my prepared statement we feel should be given to military personnel.

We have also mentioned recruiting and retention, the use of the draft, deficit spending, and special pays for the committee's consideration. We would hope that the committee will approve the increase for the enlisted people in hazardous duty and incentive pay and in the moving allowances that have been requested in the defense budget.

We have added some extra allowances and special pays we hope the committee will consider, one of them being 100 percent CHAMPUS fee reimbursement. This would provide 100 percent of the CHAMPUS fee reimbursable to dependents accompanying military personnel assigned to locales outside commuting distances to military medical facilities.

For example, I was stationed in the chairman's home State, in Des Moines, Iowa. The closest military facility, as the chairman well knows, was Offutt Air Force Base, too far to travel. All of my recruiters particularly suffered quite a setback in financial losses because of the lack of military health care for dependents at that time, so I would hope that the subcommittee will look at that and do anything it possibly can.

I thank you for the opportunity to appear today. If there are any questions, I would be happy to answer any that I can. Thank you, sir.

[The prepared statement of Sergeant Major McKinney follows:]

PREPARED STATEMENT OF C. A. (MACK) MCKINNEY, SERGEANT MAJOR USMC RET., EXECUTIVE DIRECTOR FOR GOVERNMENT AFFAIRS

MR. CHAIRMAN. On behalf of the members of the Non Commissioned Officers Association of the USA (NCOA) I appreciate this opportunity to express the views of the Association. They have been formulated by the general membership in convention last July and through subsequent input from the senior enlisted chiefs of the armed forces and our members and other interested military personnel serving around the world wherever the United States has stationed its men and women in uniform.

This statement has but one general theme built around two major issues--military manpower and military compensation and related benefits. That theme is **"retention of qualified and experienced military personnel to ensure maximum readiness of our armed forces."**

WARNING SIGNALS

NCOA reminds this distinguished panel it was the organization that warned Congress nearly a decade ago, even before the military sounded the alarm, all was not well with military personnel. The Association's warnings went unheeded until the then Chief of Naval Operations told Congress the Navy could not get its ships to sea and the Army's Chief of Staff complained of having a "hollow" army. Both were suffering major shortages of qualified noncommissioned and petty officers and mid-grade commissioned officers. These servicemembers were leaving the military in droves. Most significantly was the loss of career personnel, those with 8-to-even-17 years of experience and knowledge in technical occupations and mid-level leadership positions.

In 1980 and 1981 Congress itself became alarmed. The actions it took in those two years halted the exodus and gave the military services the opportunity to steady their management of the forces. At the same time, high unemployment in the civilian sector sent hundreds of thousands of young men and women to recruiting stations across the nation. Accessions improved dramatically and retention rates climbed to record highs. The quality of personnel jumped most significantly, morale scored an all-time high, and military personnel readiness reached its best level in years.

Much of the same remains today but signs are beginning to spring up here and there that forecast harder times ahead.

***The economy is improving**. In a NCOA survey conducted in the Norfolk-Virginia Beach area of Virginia more than 4,600 military respondents have answered the question: "To what extent does the state of the economy affect your decision to remain on active duty?" More than 44 percent (2,049) say "a lot." More than 34 percent (1,590) say "some". Only 21.4 percent (989) say "none."

***Civilian job market opening up again.** Senior enlisted chiefs of all services are reporting to NCOA that there are increased numbers of first and second term enlisted personnel looking for civilian jobs so they may hang up their uniforms.

***Congressional actions and "perception" are causing concern.** Pay caps and "freezes" on some allowances, inequitable permanent change of station (PCS) allowances, and threats to the current military retirement system as well as certain military benefits (i.e.--commissary stores) are reflections of the early and mid-1970s. It was almost these identical concerns that caused the mass exodus of the mid and late 1970s.

***"Walk-ins" at Army recruiting stations are declining.** The reported 22% drop in available "walk-ins" will lower the number of non-prior service personnel that may be "pooled" for later assignments to active duty. Could be a major concern in 9-to-12 months.

***Some reserve forces are falling short in manpower goals.** The Army's reserve units have experienced a 1500-man shortfall in meeting 1st Quarter, FY 1984, recruiting goals.

***The Navy's Recruiting Command is concerned.** The Navy's top recruiting officer anticipates some difficulty during 1985 in meeting accession goals.

***Fewer recruitable-age youths will be eligible for military service.** Reports from reliable sources indicate that because of a population shortfall there will be fewer youths available for recruiters to contact in the very near future.

***Reenlistment rates are dropping.** The U.S. Army reenlisted only 96.6 percent of its objective for the last fiscal year. This was a decrease from the 98.3 percent attained during FY 1982.

***Lower mental groups reenlisting at a higher rate than others.** In FY 1984, the Army has reenlisted more than twice the number of mental category IV soldiers than it did the next highest category (III-B). Cat. IV first-term reenlistments topped the ratings at 46.9 percent.

***Any significant change in the current military retirement system will cause a drain of talent.** In a world-wide NCOA survey initiated only last month many of the active duty respondents have alluded to leaving the military if Congress makes **any** change to the current military retirement system.

With these unpleasant but enlightening facts, NCOA is in hope that what it has to offer on military manpower and compensation will not be taken lightly by this distinguished panel. The members of this subcommittee will play a major role in sustaining the high-readiness posture of our armed forces in FY 1985, or relegating military personnel to a lesser role and, possibly, recreating the disasterous exodus of manpower experienced in the latter half of the 1970s.

ACTIVE DUTY STRENGTHS

For FY 1984 Congress made deep cuts in the Defense budget request for increases in active duty strengths. Instead, it adopted higher numerical levels for the reserve and guard forces.

Again this year DoD has asked for major increases in active duty year-end strength figures for FY 1985. And, again, there are those in Congress who believe the numbers can be shaved in favor of increased reserve forces without damaging the current manpower readiness posture.

There is nothing wrong in beefing up the reserve forces for mobilization providing reserve units are adequately equipped and have the proper facilities for training. This, however, is not the case for most units.

There also is no argument that reservists cost the government less than their regular counterparts. But there's something wrong in increasing the size of the reserves simply to save money or produce higher military manpower figures on the basis that numerical strengths will indicate this nation's resolve to meet its world-wide commitments. Neither alleviate the mounting problem of having insufficient manpower available to support the physical commitments given the active forces.

There's also something amiss in the idea that it's right to bring into the active forces more and more weapons, supportive systems and equipment while putting increases in active duty manpower on the back burner. Yet, at the same time, saying it's okay to add more reservists to the total force structure without providing modern weapons, systems and facilities necessary to properly train them for mobilization. It doesn't make good sense.

Currently the United States has about one-fourth of its active military strength committed to foreign duty, sea duty or deployments. Another 240,000-plus are stationed outside of CONUS in or around U.S. territories, Alaska, Hawaii, or at special locations. In CONUS there are a little more than 1.3 million servicemembers of which 300,000 or more are entering the military, leaving the military or undergoing initial or advanced training cycles. (See CHART 1).

CHART 1

ACTIVE DUTY PERSONNEL BY REGIONAL AREA

Sep. 30, 1983

1. TOTAL FOREIGN COUNTRIES:	
Ashore	450,258
Afloat	69,259
2. TOTAL U.S. TERRITORIES OR SPECIAL LOCATIONS:	
Ashore	78,068
Afloat	165,131
3. TRANSIENTS	59,350
4. CONUS	1,301,283

(Source: DoD Manpower Statistics, Oct. 1983)

The end result is two-fold: 1)- the military services have difficulty in trying to manage too many manpower commitments with too few servicemembers and insufficient permanent change of station (PCS) funds forcing them to lengthen overseas and sea duty tours and speed up the number of turn-arounds for servicemembers assigned to deployable units; and 2)- places considerable stress on military personnel which, if not relieved, will cause many to shed their uniforms for civilian attire. Congress cannot in these modern times with an active force that is more married than single expect servicemembers to accept frequent long and oft-times arduous assignments and family separations without an adverse impact on morale.

If Congress insists on reducing manpower costs by increasing reserve strengths, then let it pass legislation permitting the services to call to active duty certain individual reservists to relieve the pressure on the active forces. The military should be permitted to activate reservists for 36-to-48 months and assign them to overseas tours, sea duty tours or deployable units. Although their activation will save nothing while serving on active duty, they will cost less money over the long run than regular servicemembers.

COAST GUARD RESERVE

For FY 1984 Congress increased most guard and reserve strengths but seems to have forgotten the Coast Guard Reserve. NCOA encourages at least a 5 percent increase in this component for FY 1985 as the current strength of 12,000 is far short of the Coast Guard's wartime requirement.

There now exists a deficit of some 3,000-to-4,000 selected reservists required to meet the Coast Guard's existing mobilization plans. If that service is not authorized to correct the deficit over the next few years, it may not be fully prepared in the event of an emergency mobilization.

If ever a time is ripe to increase the Coast Guard Reserve it is now. With the economy improving and a shortage of eligible youths lurking on the horizon, FY 1986 may be too late to begin.

RECRUITING

Two military manpower proposals may be considered this year by Congress. The first would allow foreign youths to be recruited for the active military forces and the second would authorize the military to recruit youths for assignment to community and technical colleges while undergoing ROTC-like training then, upon graduation, enter active duty in noncommissioned or petty officer ranks as high as pay grade E-8.

NCOA urges the adoption of the first proposal, currently S. 2296, sponsored by the Honorable Strom Thurmond, U.S. Senator from South Carolina. The U.S. Army needs bilingual soldiers and there is no other way to obtain them than through this legislation.

NCOA strongly opposes the second proposal. The Navy recently attempted a similar program of offering lateral entry NCO/PO grades to experienced civilian technicians without success and over the objections of most of its senior enlisted petty officers. These programs may work if technicians could be separated from leadership positions. However, when end-strengths are reduced or there is a shortage of NCOs or POs, technicians have been thrust into positions of leadership. Although willing, their lack of experience in handling troops almost guarantees failure. There are other reasons to oppose this type legislation and NCOA will be pleased at the request of the panel to provide them for the record.

MILITARY COMPENSATION AND RELATED BENEFITS

The NCO Association does not concur with the President's recommendation of another pay cap for FY 1985. Two pay caps already have been imposed these past two years on the military; one for 4% and the second for less than 4% because it was delayed for 3 months. The proposed pay hike also is a delayed increase which again reduces the percentage, this time below the recommended 5.5 percent.

NCOA suggests a 10 percent increase in pay. This would bring military wages close to "comparable" levels with civilian sector salaries. However, if Congress approves and funds all of the personnel programs contained in the defense request for FY 1985 and funds the programs authorized in previous years, NCOA would accept the 5.5 percent pay increase but only as a minimum base.

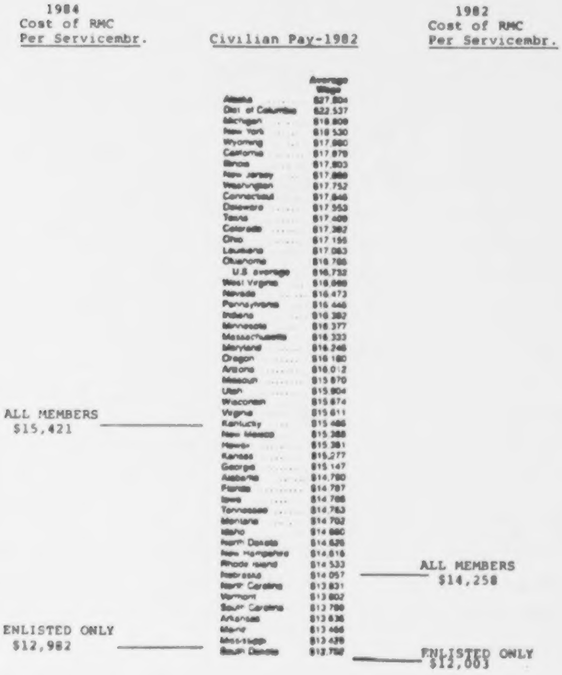
The Association conducted two limited studies over the past 2-to-3 months. **The first resulted in the discovery that the estimated average costs of Regular Military Compensation (RMC) for enlisted personnel of the armed forces in 1982 fell below the average pay of civilian workers in the state having the lowest average wage in the United States.** When adding two 4 percent increases for 1983 and 1984, the estimated average RMC cost per enlisted servicemember in 1984 still remained below the average pay of civilian workers in the state having the second lowest average wage in the United States for 1982.

For all servicemembers, the average estimated cost of RMC for 1982 was in the bottom 16 percent of the States with the lowest average civilian wages for that year. Again, bringing the 1982 estimated average cost of RMC up to the 1984 level, the all-servicemembers group remains in the bottom 45 percent of the States having the lowest average civilian wages for 1982.

The following chart provides a much more visual perspective for the above comparisons.

CHART 2

Average Civilian Pay, 1982- State By State- Compared to Estimated Average Cost of Regular Military Compensation 1982 & 1984



NOTES:

RMC is the total of estimated costs of basic pay and quarters (BAQ) and subsistence (BAS) allowances, plus tax advantages, for 1982. Cost estimates for 1984 were computed by adding 4% increases for each of the following 2 years.

Adding 1982 variable housing allowances (VHA) for all enlisted members increases the estimated average cost of RMC for Enlisted only to $12,265-still below the lowest average civilian wage by State. For all servicemember the 1982 cost would be $13,291 but still below the average civilian wage for the State of Mississippi.

SOURCES:
Civilian Pay- U.S. News & World Report (from Dept. of Labor data)
RMC- Military Compensation Background Papers, Second Edition, July 1982, Dept. of Defense.

In the second study, a comparison of military pay with that of federal civil service employees for 1942 through 1983, NCOA found that the federal pay of those nearest to the highest military pay scales in 1942 for five randomly selected pay grades has increased at a much greater pace than those of the military. (See following chart.)

CHART 3

MAXIMUM ANNUAL COMPENSATION FOR FIVE MILITARY PAY GRADES COMPARED TO NEAREST FEDERAL EMPLOYEE PAY GRADES--1942 & 1983

1942			
MILITARY		CIVILIAN	
GRADE[1]/	SALARY[2]/	GRADE[3]/	EQUIVALENT SALARY
O-5	$8,196	CAF-15B	$8,250
O-3	$6,516	CAF-13B	$6,500
E-7	$4,284	CAF-10G	$4,100
E-6	$3,852	CAF- 9G	$3,800
E-5	$3,520	CAF- 8G	$3,500

1983			
MILITARY		CIVILIAN	
GRADE[1]/	SALARY[2]/	GRADE[3]/	EQUIVALENT SALARY
O-5	$46,452	GS- 15/2	$50,171
O-3	$31,999	GS- 13/2	$36,094
E-7	$26,996	GS-10/10	$29,003
E-6	$20,916	GS- 9/10	$26,331
E-5	$18,263	GS- 8/10	$23,838

NOTES:

1- Equivalent 1983 pay grade
2- Maximum salary earned by the pay grade (at left) that includes basic pay and quarters (BAQ) and subsistence (BAS) allowances. VHA was not included for two reasons; 1)- was not paid to servicemembers until FY 1981 and 2)- was paid to less than 1/3 the enlisted grades and 56% of the officer grades. Avg. payments in 1983 were about $845 for enlisted and $1,067 for officers.
3- Civilian pay grades for 1942 were converted in 1962 to the pay grades identified for 1983

SOURCE:

Military Pay- Department of Defense
Civilian Pay- Office of Personnel Management

In the mid-level pay scales for the military grades referenced above, NCOA also found that an E-7 with 14 years of service could earn a maximum of $3,787 annually in 1942. The nearest federal employee grade earning close to that amount was a CAF-10F at $3,800 ($4000 minus $200 contribution to the civil service retirement fund).

By 1984, the E-7 grade offered a maximum salary of $21,927 ($23,136 less social security contributions of $1209) while the federal grade, now a GS-10, Step 6, offered annual wages of $24,702 ($26,938 less retirement and old age health insurance contributions of $2,236).

For a 10 year period, 1975-1984, the federal grade offered an estimated $37,000 more in salary than that of the military's pay grade E-7.

No doubt there will be those who disagree with the above figures, especially for the military pay grades. The claim will be NCOA has failed to include additional costs, most of them "in-kind", associated with military compensation; i.e.- health care, housing, tax advantages, retirement, bonuses, special pays, commissary and exchange privileges and morale, welfare and recreation facilities. However, NCOA firmly believes that since the same costs normally are not included in civilian salaries, they should not be counted as part of a servicemember's annual pay.

However, if some insist on counting all the "beans that go into the pot," NCOA recommends they also thin down the soup by crediting servicemembers with all the "niceties of life" missed while aboard ship--some for as long as 9 months or more--or deployed in foreign countries, as was the case in Lebanon, for months at a time and for some, 2 or 3 tours.

And let's not forget the ones who are serving or have served in Korea or those who served in Vietnam, many of the latter still on active duty. Certainly, they should be given credits instead of debits. A few suggestions for credits are listed below.

> . Living in bunkers, quonset huts, crowded berthing spaces, substandard quarters, tents, or in-the-open in lieu of housing or adequate quarters.
>
> . Separations from family.
>
> . Working in inclement weather and the elements, substandard facilities, crowded spaces, and/or without adequate equipment instead of a climatically-controlled building with adequate space and equipment.
>
> . Working in dangerous areas where someone wants to end a servicemember's life. (Credits to be given each time someone fires a weapon at one of our servicemembers.)
>
> . Eating cold or luke-warm food while sitting on a cold ground or in-the-open sharing "tid-bits" with insects instead of eating hot food in a dining facility.
>
> . Working overtime without pay or standing watch or additional duties over the weekend when the Servicemember would rather be doing something else.
>
> . Moving every two-to-four years involuntarily with reimbursements far below expenses.

These suggestions could go on for pages but NCOA believes the reader can get the idea that there are far more credits to be given our servicemembers than debits. This is why NCOA urges Congress to authorize and fund improvements in pay and compensation for our military personnel. The idea that pay caps, delays in pay increases and failures to authorize and/or fund certain military "people" programs is justified because of current successes in recruiting and retention, or because they hold down the soaring deficit, is pure nonsense.

Recruiting and Retention

The success the uniformed services have enjoyed in recruiting and retention can be principally attributed to the sputtering economy. A historical review of these programs since World War II proves that when the economy is good recruiting and retention suffer. When the economy is on the downside, as it has been in the immediate past years, military manpower is blessed with the best of times.

Congress must not permit current successes to cloud the future and continued need for quality, experience and knowledge. Each are vital to the readiness of the uniformed services to meet their assigned missions.

To ensure that the services are able to recruit and retain high-caliber personnel, Congress must heed the few warning signs mentioned at the beginning of this statement.

Use of a Draft

There are those who'll say a return to the draft will cure any future losses. NCOA views such a suggestion as archaic, costly and, most of all, not in the best interest of the uniformed services. The United States need not return to the draft unless there is a national emergency demanding universal service.

The use of the draft in other than a national emergency is neither practical, cost-effective nor politically feasible. The draft at this time would not assure qualitative distribution nor could it be universally administered. Obligated active-service would have to be for shorter periods than volunteer enlistments, thereby, providing insufficient training time in the use, repair and maintenance of sophisticated weaponry dominating current and future defense arsenals. The only cost-effective and practical answer is to retain the All-Volunteer Force.

To do so, Congress must be willing to support that force by providing fair and adequate compensation. With the current demand on volunteers to once again lay their lives on the line for the defense of this Nation and for world peace, adequacy becomes a question of not dollars and cents but what this Congress and the citizens of the United States are willing to pay.

Deficit Spending

The case for savings in deficit spending by reducing the military personnel account is a weak one. There are many expensive weapons systems being approved that could be delayed or decreased in numbers so a fairer compensation may be provided to servicemembers. The argument that these highly-sophisticated weapons are needed more so than quality manpower is utterly ridiculous. There is no rhyme or reason why the armed forces first must have one without the other.

An excellent argument might be centered around the Navy's proposed 600-ship fleet. Sacrificing manpower for ships will resurrect the same problem mentioned earlier. There will not be enough experienced petty officers to take the ships to sea.

Special Pays

In reviewing the special pays and other allowances of military personnel NCOA is puzzled why Congress has long held that those who assume equal risks are not entitled to equal pay. For sound reasons commissioned officers receive higher compensation because they have greater responsibilities. However, when it comes to hazardous duties one man's life and limb is as dear to him as to another.

Currently funds are provided to pay officers $110 each month while performing such duties but only $83 to enlisted personnel. These payments are made to "increase the ability of the uniformed services to attract and retain volunteers for hazardous duty and to compensate for the more than normally dangerous character of such duty." Nothing in this statement justifies an inequitable rate of pay between the officer and enlisted grades.

It is the Association's understanding DoD's Fifth Quadrennial Review of Military Compensation (5th QRMC) has recommended that enlisted rates for Flight Deck Duty Pay, Demolition Duty Pay, Parachute Duty Pay, Experimental Stress Duty Pay, Personal Exposure Pay, and Non-Crew Flight Pay be increased to match those for commissioned officer. NCOA agrees and urges Congress to adopt this recommendation for FY 1985.

Moving Allowances

For some years efforts have been made to increase the allowances for moving expenses incurred by our servicemembers. In studies conducted by the United States Air Force it was apparent that most if not all servicemembers were reimbursed for such expenses at less than the payment available to a comparable federal employee.

For example: The study found that a servicemember, pay grade E-7, moving from the Nation's Capital to San Antonio, TX, as a result of involuntary permanent change of station (PCS) orders, with 3 dependents, would be reimbursed a maximum of $1,602.87. Comparatively, a GS-9 federal employee could receive $15,055.40 for making an identical move with the same number of dependents.

DoD has been unable to increase PCS allowances because Congress has failed to appropriate the necessary funds. Both Senate and House Appropriations Committees believe DoD could better manage PCS funds and, therefore, has cut-back on requests for higher appropriations.

Whether Congress is justified in pursuing this line of reasoning is not the subject of these remarks. What is the issue is fairness and equity. NCOA believes Congress should not penalize our servicemembers because it does not agree the military departments are properly managing PCS funds.

NCOA further believes it is blatantly unfair to provide greater reimbursements to federal employees for expenses of moving than for those incurred by military personnel.

To provide some equity, NCOA urges Congress to authorize increases in Household Goods Weight Allowances for senior officers, warrant officers and enlisted personnel, increase mileage reimbursements to 15¢ a mile and provide additional funds for implementing these new allowances. NCOA also requests that the Temporary Lodging Expense (TLE) program, authorized by earlier legislation, be funded in FY 1985.

The current Household Goods Weight Allowance (HHG-WA) really needs to be increased for all servicemembers. Except for two increases for junior enlisted personnel in 1974 and 1978, no raise in this allowance has been authorized since 1966. Allowances for senior personnel, however, need to be increased to more equitable levels to reflect changes in life styles.

The changes have occured as a result of military policy. Some years ago most senior personnel resided in government-furnished quarters on military installations. Therefore, they did not require higher allowances to move their household effects. Today, due to a reversal in military housing assignments, more senior personnel are living off-post in the civilian community. They have acquired more household furnishings which they are forced to sell at a loss or move at their own expense when in receipt of PCS orders.

These few concessions are a small price to pay for improving the quality-of-life for our valued servicemembers. When one considers a federal employee may be reimbursed for travel and transportation for himself or herself and a spouse to look for new residential quarters prior to making the actual move, for use of temporary quarters, and the expenses paid in connection with the sale of an old residence and the purchase of a new one--or the settlement of an unexpired lease--none of which are available to servicemembers, NCOA believes these requests are truly fair and equitable. Congress should approve them for FY 1985.

Other Allowances and Special Pays

NCOA encourages Congress to authorize and fund increases and improvements in the following allowances and special pays.

*Special Pay for Recruiters, Drill Instructors and Personnel Assigned to Independent Duty. Increase maximum pay to $275 a month dependent on assignment and proximity to military facilities. For example, recruiters and others assigned duties where military medical care, commissaries, exchanges and other facilities are not within commuting distance should be entitled to the maximum payment. Others, close to or working on military installations, would receive payments based on job-stress (i.e.-drill instructors) or on responsibility.

*100% CHAMPUS for Certain Dependents. Provide 100 percent of established CHAMPUS fees as reimbursable to dependents accompanying military personnel assigned to locations outside commuting distances to military medical facilities.

*Hostile Fire Pay. Increase monthly payments to the same amount(s) paid as the lowest hazardous duty incentive pay(s). HFP, first offered in 1952, was increased to its current level ($65) in 1965. Its purpose was "to provide special recognition for the rigors and hazards of combat duty by equalizing extra compensation between combat personnel and personnel entitled to (other hazardous duty incentive pays)." Since 1965 all other hazardous pays have been increased. To equalize the special recognition, HFP should be raised to the lowest payment available for performing other hazardous duties (i.e.- parachute pay).

*Selected Reenlistment Bonuses (SRB). To insure the retention of qualified personnel, particularly those performing in short-skills, Congress is urged to extend SRB authorization and funding through FY 1985.

*__Family Separation Allowance (Type II).__ Involuntary assignments force servicemembers to live apart from their families. Additional costs, that can be substantial, are incurred by both the member and the spouse. Congress in 1963 recognized this additional financial burden imposed on military personnel and authorized monthly payments of $30 to help offset these costs. Inflation has significantly reduced the value of this allowance. Congress is urged to increase the amount to $60 per month for eligible servicemembers.

*__Sea Duty Pay.__ The Navy is short 9,000 petty officers. Unless improved incentives are offered to those that now have to spend longer and more frequent tours at sea, particularly POs with 12-to-20 years of service, more career enlisted personnel may not reenlist. Increasing career sea duty pay as recommended by the Navy will provide retention insurance for future years.

*__Standard Cash Clothing Maintenance Allowance (CMA).__ A number of enlisted members have registered complaints that the CMA is insufficient to maintain enlisted uniform allowance requirements of the services. Once the initial clothing issue needs replacement, the allowance is not sufficiently adequate to purchase and maintain the required uniforms. Unlike civilians who may be able to do so, servicemembers cannot deduct costs of uniform maintenance or purchases in excess of the CMA. This allowance should be increased after the 36th month to $15-to-$20 monthly per servicemember. Currently, the estimated average monthly payment is plus or minus $11.00.

*__Enlisted Flight Pay (Crew Member).__ Reportedly DoD will recommend improvements in the enlisted crewmember flight pay program. NCOA believes the recommendation is justifiable and should be adopted by Congress for FY 1985.

*__BAQ and VHA Allowances.__ The threat by IRS to rule that BAQ and VHA should be added to a servicemember's reportable gross income for tax purposes--if the member is living in his or her own home--is a blatant attempt to further reduce the compensation of military personnel. Hopefully Congress will act statutorily early enough to halt IRS so there will continue a tax incentive encouraging service members to purchase their own homes. Homeowning by servicemembers adds to the local economy, provides taxes for civilian community services and reduces the demand for military housing. NCOA believes these benefits far outweigh the money IRS will collect through a change in the current tax policy.

Senator JEPSEN. Thank you.

Admiral Spiro, welcome. Nice to see you again.

STATEMENT OF REAR ADM. ROBERT SPIRO, EXECUTIVE DIRECTOR, RESERVE OFFICERS ASSOCIATION

Admiral SPIRO. Thank you, Mr. Chairman.

It is a pleasure to appear. This is my maiden appearance before the committee, and it is an honor to represent ROA before your distinguished panel.

The Reserve Officers Association, as you doubtless know, represents the U.S. Reserves in its relationship with the NATO allies. Twelve nations have reserve forces there.

A year and a half ago, at a meeting of the Inter-Allied Federation of Reserve Officers in Europe, Secretary Weinberger made a statement that I would like to quote for your information. He said it was his point of view that

> We could no longer consider reserve forces merely as forces in reserve. We think instead they have to be an integral part of the total force both within the United States and within NATO. It is clearly incumbent upon us to provide the reserves the training and equipment that they require to accomplish their mission. Without adequate equipment, reserve forces cannot be effective, and we in the United States are making particular efforts to ensure that reserves and our National Guard units have the latest weapons and tanks and planes of all kinds.

Of course, he spoke, as we all do, about personal issues, which are those before this committee. I would like briefly, since we represent five armed services plus two other groups, to address in short order the services by Army, Navy, other sea services, and the Air Force.

We support increased funding supports that are in the budget this year, the growth of 12,000 paid drill strength to 270,000 for the Army, 2,000 full-time uniformed strength to 15,000, and continued growth in the IRR and the IMA programs, and continued enlistment and reenlistment programs that are underway.

The fiscal 1984 Army Reserves programs, thanks to this committee's report, showed progress in some important areas. Paid drill strength increased by 7,000 in this year to 258,400. High school enlistments, high school graduate enlistments increased to 80-percent, where it now stands, this of total nonprior service recruitments. Nurse and medical professional strength continued an upward trend, and command and control of the Army reserve has been restructured. This has been done by the elimination of nine Army readiness and mobilization commands, the elimination of these and the activation of two additional U.S. Army commands, and the activation of the Army Reserve personnel centers under the Chief of the Army Reserve in St. Louis. We consider this to be a highly significant action.

The Reserve Officers Association supports the fiscal year 1985 initiatives increasing personnel strength, bonuses, and Capstone support. We urge Congress with regard to the Army to approve the increase in full-time unit support strength as a vital step to improve readiness to support full staffing and funding of our Army Reserve Personnel Center so that it can successfully implement the program of managing and administering Army policies.

We urge Congress to increase the funding level for the Capstone program to allow more units to train with their postmobilization commands. We support the authorization of two additional U.S. Army Reserve, selective Reserve general officer positions so that each of the two Armies in CONUS will have one U.S. Army Reserve, selected Reserve deputy commander. These are our suggestions, Mr. Chairman, with regard to the U.S. Army Reserve.

Turning quickly to the Navy and the other sea services, the Marine Corps and the Coast Guard, we would like to commend the Secretary and the Chief of Naval Operations for their support of the Navy Reserve. It has been a new era in recent years in this connection, and we strongly urge continued support by this committee and the Congress. We support a selected Naval Reserve category A strength of 110,000.

Just a few years ago we stood at about 99,000 with a recommendation to cut to 52,000. Now the strength stands at 110,000, an increase of 5,000 over fiscal 1984. We recommend also the addition of $1,056,000 pay, $10,000 per drill incentive pay to the service to designated high priority units. We also recommend the addition of $8 million to provide paid active duty training for some of the 5,000 Naval Reservists drilling. Without pay, they would not now be programed for paid out drills.

Parenthetically, may I personally say that in 32 years in the Naval Reserve program not on active duty, that I have 1 year of active duty pay. Most of the time I did have the encouragement of 2 weeks in the summer or at some other time with 2 weeks pay. It is important as an encouragement to officers and enlisted personnel at least to be paid for 2 weeks active duty. We strongly recommend that program. With regard to the Marine Corps Reserve, we again appreciate the Marine Corps' consistent support of the Reserve component. The Reserve budget submissions have shown real growth each year since 1978. It is almost 10 percent this year. We recommend the approval of Reserve personnel Marine Corps funding requests, $269.5 million, which will support a Marine Corps selected end strength in the Reserve of 46,447, an increase of 3,100 over last year.

Turning to the Coast Guard, we note that by law the Coast Guard is to be maintained as a military service and a branch of the Armed Forces, a fact sometimes forgotten. The administration does not seem fully to recognize this. ROA solicits your support in insuring the Coast Guard is so maintained for peacetime and wartime.

The administration request for the Coast Guard Reserve strength is 12,500, an increase of 500. This is accompanied by a recommendation to decrease the active strength by 513. We recommend that there be no decrease in active duty personnel in the Coast Guard Reserve, and that these not—these offsets not be tolerated. We recommend the Armed Services Committee direct the Coast Guard selective Reserve floor of 13,200 for fiscal 1985, an increase of 700 over the administration request. This would provide only 57 percent of the wartime requirements. The goal should be at least 75 percent, in our judgment. History indicates the Transportation Appropriations Subcommittee will not fund additional service over the mandated floor, as so often defense subcommittees do. We recommend an increase in the mandated floor as the only way to provide for reasonable increases in the Coast Guard.

Turning to the Air Force Reserve, the Air Force has achieved new levels of strength and readiness in the past year. Ninety-seven percent of all nonprior service enlistees were high school graduates last year. This is an enviable record. We are also requesting a selective Reserve strength of 72,900 in fiscal 1985 with eight additional mission support units authorized.

The Air Force Reserve is cost effective, and combat ready. All units can be mobilized in 24 hours and deployed within 72. Exercises in contingencies proved this during the past year. The Air Force Reserve C-141's and KC-10's associate crews were among the first to fly missions in support of military operations in Grenada. In the course of training the Reserve Air Force units support active requirements. In fiscal 1983 Air Force Reserve crews flew 79,000 passengers, airdropped 29,000 troops, and airlifted 54,000 patients.

Among the key personnel in maintaining Air Force Reserve mission readiness are the technicians. We suppport the Air Force Reserve's initiative to amend title 5 to solve the problem of the small number of status quo technicians. We think this will maintain a combat ready technician for us while providing fair and equitable treatment for their civil service capacity.

In conclusion, Mr. Chairman, we are concerned about the 1984 defense authorization bill required military services to support or budget for military requirement costs on an accrual basis in fiscal 1985. OSD directed that the services use a retirement accrual factor of 51-percent base pay for all military personnel. This factor is far, far, far above any calculation applying specifically to a Reserve component.

The OSD chief actuary's estimate for Reserve drill pay reflects an accrual factor of only 8.1 percent, not 51 percent. This overstatement makes the personnel and training costs of the Reserve component appear far more expensive than they are in reality. In the light of current resource restrictions, we recommend that the retirement accrual figure be reconstituted by component within each service to reflect accurate estimates.

Thank you, sir.

[The prepared statement of Admiral Spiro follows:]

PREPARED STATEMENT OF REAR ADM. ROBERT H. SPIRO, JR., U.S. NAVAL RESERVE (RETIRED), EXECUTIVE DIRECTOR, RESERVE OFFICERS ASSOCIATION OF THE UNITED STATES

Mr. Chairman and Members of the Committee:

It is a pleasure to appear before this Committee. On behalf of the Reserve Officers Association, I wish to extend our thanks for this opportunity.

In past years, ROA has recommended Congressional action to provide better and more modern equipment for Reserve Forces as an economical way to maintain adequate armed forces in a dangerous world. That philosophy is just as valid today, and the wisdom of action along these lines is now obviously apparent.

As Secretary Caspar Weinberger stated in remarks to the Inter-allied Confederation of Reserve Officers in August 1982, "We can no longer consider Reserve Forces as merely forces in reserve. We think, instead, they have to be an integral part of the Total Force both within the United States and within NATO." He added, "It's clearly incumbent upon us to provide the Reserves the training and the equipment that they require to accomplish their mission.... Without adequate equipment, Reserve Forces can be neither credible nor effective in combat and we in the United States are making particular efforts now to insure that our Reserves and our National Guard units are equipped with the latest of tanks and weapons, planes of all kinds."

It is well known that Reserve Forces are the most economical source of units when they are properly equipped and trained. At a time when the Defense Budget is under heavy attack, it would appear to be appropriate to increase reliance on Reserves and that means providing them with suitable equipment.

Last year, Congress directed the Pentagon to examine ways to increase the utilization of Reserves for defense missions. This year's Reserve budget requests reflect increased personnel requirements resulting from the increase Reserve force structure.

I would now like to examine the Reserve situation by Service. Following that, I will mention several other important personnel items that ROA is interested in: "portal-to-portal" medical coverage for Reservists; health care personnel; military retirement; commissary privileges and the G.I. bill.

ARMY RESERVE

The Congress has been requested to provide $2,969 billion in obligational authority to fund the Army Reserve's programs in Fiscal Year (FY) 1985. The following chart compares the Army Reserve budget request for FY85 with obligations for the last two (2) years.

($ in Millions)

	FY83 Actual	FY84 Estimate	FY85 Request
Reserve Personnel Army	1,222.	1,395.	2,184.
Operations and Maintenance	705.	692.	715.
Military Construction	42.	55.	70.
TOTAL PROGRAM	1,969.	2,142.	2,969.

* Includes Retired Pay Accrual of $560. million. The inclusion of a uniform retirement accrual factor of 51 percent by all services and components of OSD has significantly overstated the accrual required for Army Reserve. In the light of current resource restrictions, ROA recommends that retirement accrual figures be reconstituted by component within each service to reflect accurate estimates.

The FY85 budget request (net of the payroll accrual) represents a 12.4 percent increase over FY84. Thanks to the persistent guidance of the Congress, Department of the Army is requesting resources to fund increases in Army Reserve strength, bonuses and reenlistment bonuses, training programs, and the Army Reserve construction program.

Before discussing the Army Reserve budget for FY85, we believe both the Congress and the Army are owed a vote of thanks for the many areas in which substantial progress was made in the Army Reserve during the last fiscal year. Paid drill strength increased by over 7,000. The percentage of non prior service high school graduates recruited increased from 64.9 in FY82 to a more respectable 79.8 in FY83. Nurse strength stands at a 77.4 percent fill, up from 50.4 percent at the end of 1979. Medical officer strength improved significantly from 29.5 percent fill in July 1980 to 58.6 percent in FY83.

The Grenada operation proved the practical value of the CAPSTONE program. Without any wasted time for administrative processing, some thirty (30) Army Reservists having CAPSTONE affiliations with CINCLANT, volunteered and landed in Grenada to their normal post-mobilization missions. For the Army Reserve, this indeed was a brilliant first, and speaks well for CAPSTONE as a mobilization vehicle.

The Command and Control Structure of the Army Reserve, began a reorganization process. The nine (9) Army Readiness and Mobilization Regions, each commanded by an active duty major general are being inactivated with their functions being absorbed by existing US Army Commands (CONUSA), two newly activated CONUSAS, and the existing Army Reserve Commands. In addition, a USAR general officer position as Deputy Commanding General, has been authorized in three (3) of five (5) CONUSAS. This, we believe, represents a significant first step in transferring Command and Control authority to the Army Reserve. ROA strongly recommends that, with the activation of two additional CONUSA's, two additional USAR general officer positions be authorized.

Finally, the most important enhancement to the authority of the Chief, Army Reserve, (CAR), was the establishment, under the CAR of a discrete office with responsibilities for individual Ready Reserve (IRR), Individual Mobilization Augmentees (IMA), and Active Guard/Reserve (AGR) personnel management functions. The Army Reserve Personnel Center (ARPERCEN) also is responsible for personnel management counseling for members of Troop Program Units (TPU).

ARMY RESERVE PERSONNEL STRENGTH

RESERVE PERSONNEL, ARMY
End Strength (000)

	FY83 Actual	FY84 Estimate	FY85 Request
Paid Drill Strength	251.1	258.4	270.1
Active Duty Strength	7.0	9.0	15.0
Individual Mobilization Augmentees (IMA)	8.1	10.7	13.4
TOTAL	266.2	278.1	298.4
Individual Ready Reserve	246.4	256.1	260.4

We are encouraged by the sustained increase in USAR strength planned for FY85. We strongly recommend however, that more emphasis is placed on recruiting a higher percentage of high school graduates in the non prior service category. The USAR high school graduate percentage of 79.8 is far behind the almost 90 percent being recruited for the active army. This short-fall of high school graduates adversely affects the capability of the Army Reserve to meet mobilization readiness. ROA urgently recommends that this Committee require Department of the Army to significantly increase the quality of recruits for the Army Reserve.

ROA strongly supports the incentive program established by the Congress to improve the number and quality of reserve component enlisted personnel. The cash bonus and educational programs do work. In FY82 they resulted in 10,757 enlistment contracts with new soldiers channeled into high priority units and critical MOS's. In FY83 the program provided 15,523 high quality enlistees. We believe that the Congress should continue this cost beneficial program which attracts qualified applicants who upgrade the readiness status of Army Reserve troop units, and increases the retention rate of high caliber soldiers.

FULL-TIME SUPPORT

The recent Grenada operation provides us with a real-world example proving the importance of having full-time, uniformed, mobilization assets at the troop unit level. An AGR officer, supporting an Army Reserve unit identified for participation in Grenada, was able, without the need for time consuming paper work, to immediately travel to the various operational Headquarters where he identified and arranged for the participation of over thirty (30) Army Reservists. Army Reserve troop units are in critical need of a material increase in the number of full-time Reservists to perform training, maintenance, and supply functions. A comprehensive, well managed full-time unit support program is indispensable to achieving mobilization readiness. If the Congress were to approve the budget request, the Army Reserve, with seven percent full-time support personnel, would still be far behind the other Reserve Component's ratio of full-time support to numbers of drilling reservists. At the same time, we believe that steps should be taken to protect the valid interests of the military technicians serving with the Army Reserve.

ARMY RESERVE PERSONNEL CENTER

We believe that the quality of USAR personnel management should significantly improve under command of the CAR. This will result in increased personnel stability and enhanced recruiting and retention. In order to ensure its success, ROA feels it is critical during the first years, for the Army Reserve Personnel Center to be adequately funded and staffed, and receive full support of the Army and the Congress.

CAPSTONE

The CAPSTONE program is a winner. It has proven to be one of the most beneficial Army initiatives. The program aligns Reserve Component units based on United States Army Europe's wartime requirements in order to develop a methodology that permits Active Component and Reserve Component units to train and plan in peacetime with the command they will deploy and fight with in wartime. This single initiative has focused training on wartime mission and has certainly improved Reserve Component readiness. We at ROA are very much concerned that this most important training program and others such as the scheduled Gallant Eagle Exercises which develop readiness to the sharpest degree, will be endangered by restricting the level of training travel funds needed to realistically implement the programs. FY85 travel funding supports CAPSTONE training for only 650 of the over 3,000 Army Reserve Units. ROA urges the Congress to significantly increase FY85 funding so that each unit has the opportunity to train with its active component counterpart at least once every three (3) years. For those units with a Rapid Deployment Force Mission, this readiness training should be budgeted annually.

NAVAL RESERVE

ROA is most encouraged by actions taken by the Navy in support of the Naval Reserve as reflected in the FY85 Budget submission. Together with last year's requested personnel strength increases, the administration's proposal to attain 110,000 Selected Reservists (Pay Category A) by the end of FY85 represents a significant break-through over the consistency of many years of strength reduction proposals.

As ROA has stated before, the support and direction provided by Secretary Lehman and the CNO, Admiral Watkins, have led the way in upgrading the Naval Reserve as a fighting force. The Navy's policy of horizontal integration of equipment into the Naval Reserve puts this service in the forefront of service support for a Reserve component. The introduction of front line ships -- Knox and Perry class frigates -- and front line aircraft -- F/A-18s, A-7Es, F-14As, and E-2Cs, -- is strong evidence of the Navy's intention to make "One Navy" a viable reality. ROA, in the strongest possible terms, urges continued Congressional support of these Navy initiatives.

The administration proposal to attain 110,000 Selected Reservists (Category A) by the end of FY85 is strongly supported by ROA. In fact, the FY84 and FY85 requests represent the first meaningful increases in Naval Selected Reserve strength contained in presidential Budget submissions in recent memory and appear to signify a positive change of direction in Naval Reserve manpower support. The current Navy plan calls for a Category "A" Selected

Reserve strength of 124,219 by the end of FY89, an increase of over 25,000 from the plan submitted two years ago. A truly remarkable and amazing turnaround from just a very few years ago.

Accordingly, ROA urges approval of the Reserve Personnel Navy (RPN) funding request of $1.132 billion which will support an FY85 Naval Selected Reserve (Category A) strength of 110,000. (It should be noted that $283.3 million of this request represents a functional transfer of funding from OSD into the Retirement Accrual Account and is not part of the additional funding required to support increased strength).

Even with increased personnel strength in the Naval Reserve, the manning of high priority units, particularly the NRF ships, remains a problem. A significant contributing factor to the manning problem is the rigorous training and long hours spent by the Reserve Crew when the NRF ship goes to sea for the weekend. Such duty is not a "report at 0800, secure at 1700" type of drill found at many Reserve activities. The ship goes to sea for the weekend -- crew members don't go home on Saturday night! In addition to the eight hours of rigorous training which takes place during the working day, watches must be stood around the clock when the ship is at sea. For all of this extra work, the NRF Reserve crew member receives no incentive, except the "joy of going to sea."

Accordingly, the Navy has submitted proposed legislation, to amend 37 USC, "...to authorize payment of an incentive pay to enlisted personnel of the Selected Reserve who participate in certain units as designated by the Secretary of a Military department..." This proposed legislation would provide incentive pay of up to $10 per drill to those enlisted Reservists in units so designated - which would amount to $40-50 per drill weekend. Such an additional amount seems somewhat less than dramatic in today's economy; however, a study conducted by the National Defense University indicated that such a $10 per drill incentive would improve drill attendance and increase NRF ship readiness. With the increasing number of modern, front line ships entering the Naval Reserve creating even greater reliance on the NRF, full manning of these ships is a most critical need.

Accordingly, ROA strongly urges passage of this legislative proposal and additional FY85 funding in the amount of $1.056 million in the RPN appropriation to support this incentive program.

Mr. Chairman, you may be aware that the Naval Reserve has approximately 7000 personnel drilling in a non-pay status, (4390 officers and 2372 enlisted as of 31 December 1983). Most of these personnel are meeting 90 percent drill requirements and most are in non-pay units which are working alongside similar Selected Reserve Units, performing the same mission. In the early seventies, 2,900 of these personnel were authorized training duty annually. However, by 1976, that number was greatly reduced. The FY85 Budget request provides training duty for approximately 2000 persons in this category. In view of the fact that thousands of non-drilling IRR personnel from other Reserve components are authorized annual training duty with pay, ROA considers it unconscionable that over 5,000 Naval Reservists possessing valid mobilization assignments cannot perform training duty with pay even though they are attending at least 90 percent of all scheduled drills without pay. Accordingly, ROA strongly recommends that $8 million be added for Training Category "D" so that many more of these Naval Reservists may perform annual training duty with pay.

MARINE CORPS RESERVE

Personnel

The Marine Corps Reserve is a major factor in the Total Marine Force, contributing one-fourth of the structure and one-third of the manpower. As has been the case for the last few years, the Marine Corps Reserve manpower requirements appear to be well provided for in the FY85 budget request.

ROA compliments the Marine Corps on their continuing recognition of the Reserve contribution and on their consistent support of the Reserve component. The Marine Corps Reserve Budget has reflected real growth every year since FY78, including almost ten percent real growth in the FY85 submission. This support has enabled the Marine Corps Reserve to meet and usually exceed the OSD Program Guidance. Accordingly, ROA strongly urges approval of the Reserve Personnel funding request of $269.5 million which will support an increased FY85 Marine Corps Reserve Selected Reserve end strength of 46,447 (average strength 44,300). The Marine Corps Reserve also deserves high praise for the personnel quality recruiters have been able to attain. In FY80, only 76 percent of non-prior service accessions were high school graduates; in FY83, 94 percent were high school graduates. This is a truly remarkable feat!

While certain grade and skill shortages continue to be of concern in the Marine Corps Reserve, initiatives which we discussed last year appear to be working. Since the problem was most evident in prior service accessions, the Marine Corps initiated a special prior service recruiting program in February 1983 designed to ensure that only those personnel with proper grades and skills were enlisted. In the test area, 89 percent of those enlisted met grade and skill requirements -- no small feat since increased quantity of enlistees was also necessary to meet increased strength requirements. Recent results are showing a 99 percent match!

COAST GUARD RESERVE

During the last few years, we have detailed before this committee the concern of ROA over the state of the Coast Guard and Coast Guard Reserve. Once again the Department of Transportation's FY85 Budget Request for the Coast Guard is essentially a level effort request. Given the current strain on resources, the Coast Guard, at best, has only a marginal capability to carry out its peace-time taskings. The Coast Guard's capability to carry out war-time taskings is a matter of well known serious concern. These short comings have been set forth time and again in magazine and newspaper articles, in GAO reports, and in congressional oversight reports. None of these independent evaluations appear to make any significant impact on the Adminstration. To submit a level funded budget request in support of our fifth Armed Force, in view of the problems it faces, simply ignores statutory direction and, given the President's resolve to improve our nation's national security, is completely inexplicable.

While for the first time in eighteen years the Budget requests a small increase in Coast Guard Reserve strength, this is accompanied by a requested decrease in active duty military and civilian strength -- specifically, an increase of 500 Reservists accompanied by a decrease of 513 active duty military and 242 civilians. We know that the Coast Guard requested moderate increases in both Reserve and active strength. The proposed reduction simply makes no sense given the overall problems facing the Coast Guard -- regardless of the specific justifications provided.

The House "Semi-Paratus" report, resulting from oversight hearings in 1981, surfaced many deficiencies involving the nations oldest, continuous sea-going service. GAO Report, PLRD 82-98, issued on August 18, 1982, stated,

> "Our review....disclosed several problems which raise questions about the Coast Guard's ability to successfully carry out its on-going peacetime missions and to assume additional ones to support Navy Operations in wartime."

Military mobilization exercises during the past few years have repeatedly shown serious deficiencies in Coast Guard personnel, equipment and training capabilities. Yet no significant budgetary measures to remedy these deficiencies have survived the DOT/OMB budget process. Accordingly, the Reserve Officers Association again urges that the Administration request and allocate sufficient resources to the Coast Guard budget to promptly eliminate the military readiness deficiencies of the Coast Guard as cited in the GAO Report.

It is imperative that the Coast Guard and Coast Guard Reserve be fully prepared to meet their statutory military duties as prescribed in 14 U.S.C.1, which provides for the Coast Guard to be "...a military service and branch of the armed forces of the United States at all times."

Strategic Mobility and Port Security

Once again the General Accounting Office has found serious problems concerning plans and programs to assure the continuity of vital wartime movements through U.S. Ports. (GAO/NSIAD 83-13 dated August 30, 1983)

This report did not reveal anything new. It pointed out the problems we have been talking about for years. We all know that our ports are vitally important to military mobilization. We also know that they are highly vulnerable to major disruptions because of terrorism, sabotage, mines, etc. The GAO also found no one is "in charge." Lots of people and agencies are doing different things. However, no one is coordinating between the various Federal, State, and Local Government agencies in order to assure continued port operations in such an emergency situation. There is great concern that we don't have the ability to successfully carry out a full scale port operation during emergency conditions.

A very timely issue to consider is port security during the upcoming Olympic Games in Los Angeles this summer. There is the liklihood that some nations, acting out of fear of terrorist attacks ashore, will house their Olympic personnel aboard ships in the harbor. Recognizing the potential problem, the Coast Guard is planning to recall approximately 550 Reservists for six weeks. However, no one yet seems to have a coordinated plan and worse yet, we can't find who is in charge to develop the plan. Is it the Coast Guard; it it the FBI; is it FEMA; is it the Port of Los Angeles; is it the Los Angeles County Sheriff? Different people have different guesses. This is certainly one situation we had better get a handle on quickly. An Israeli ship loaded with Israeli athletes, anchored in the harbor is going to be a very inviting target for maritime terrorism.

While this committee does not have responsibility for authorizing the active duty strength of the Coast Guard, it is directly responsible for the sizing of the Coast Guard Reserve. Accordingly, I would like to take a few minutes to discuss the Reserve. In the on-going problems surrounding the Coast Guard, generally very little is mentioned about the Reserve. The 1982 GAO Report did, however, comment at length about apparent deficiencies in Coast Guard Reserve logistical support and training. As we have noted numerous times, port security is a most vital mission and, according to most national security authorities, is one which is the primary mobilization responsibility of the Coast Guard Reserve.

We do applaud the Secretary of Transportation and OMB for taking the first Administration step in eighteen years towards increasing the strength of the Coast Guard Reserve. A requested increase of 500 is certainly a step in the right direction, albeit a small one. (It should be noted, however, that the Commandant requested an increase of 800) At the rate of 500 a year, the Coast Guard Reserve could be at 100 percent of their currently stated mobilization requirement (A DOD goal for end FY87) in twenty years! This is certainly slower than deliberate speed!

It should be realized that the current Coast Guard Reserve Strength level of 12,000 represents only 55 percent of its stated wartime requirements; 12,500 will result in a 57 percent level. In comparison, the other Armed Services Reserve Components are authorized and funded to strengths approaching an average 90 percent of mobilization requirements and are still increasing.

Mobilization of both the Coast Guard Selected Reserve and the IRR will still result in a deficit of approximately 6,000 people short of the 22,000 mobilization requirement. Further while this requirement is still undergoing review, every possible indicator reflects a real requirement significantly higher than 22,000. Since this number hasn't changed in over ten years, a higher requirement certainly appears logical. Accordingly, ROA cannot concur with a budget submission which requests such a minimal growth in Coast Guard Selected Reserve strength.

ROA strongly recommends that, as a minimum, the Coast Guard Selected Reserve strength be increased to 75 percent of current stated requirements -- 16,500; and that a target date for attainment of this strength be established as 30 September 1988. ROA further recommends that an increase in FY85 Coast Guard Reserve Training funding be authorized to support an increase of 1,200 to a level of 13,200 -- a level which we believe to be reasonably attainable.

Concern about the size of the Coast Guard Reserve is not limited to the ROA. Both the Senate and House authorizing committees for the Coast Guard have expressed similar concerns in recent years. Additionally, the House Armed Services Committee, taking note of the Wartime requirements for both the Coast Guard Reserve and the Naval Reserve expressed "special concern" in their FY84 Report over the gap between requested strengths and requirements.

ROA notes that the Defense Appropriations Subcommittees quickly responded to the comments concerning the Naval Reserve and provided funding to increase the Naval Selected Reserve strength in FY84 from the 99,000 requested to 105,000. Unfortunately, the Transportation Appropriations Subcommittees did not effect a similar response.

Approval of the Reserve manpower floor as requested by the Administration, while recommending increased funding to support growth above the floor, does not appear to work in the case of those subcommittees who develop the Coast Guard funding recommendations.

Accordingly, ROA strongly recommends that this committee direct a Coast Guard Selected Reserve floor of 13,200 for FY85 -- an increase of 700 over the requested strength of 12,500. ROA will pursue funding support for this proposed increase with appropriate committees; however, a mandated increase in the floor appears to be the only way to effect those Coast Guard Selected Reserve increases necessary to move in a timely manner towards mobilization requirements.

An interesting commentary on the current Selected Reserve strength arises from the aforementioned call-up in support of next summer's Olympic Games. A moderately unusual event comes along and five percent of the entire Coast Guard selected reserve will be recalled to assist in port security for one harbor. This one example certainly raises questions as to what would happen during a full scale mobilization in which all of our ports would face really serious threats.

A caveat must be raised, however, concerning our recommendation in support of increased Selected Reserve strength. While some trade-offs may be feasible between Active and Reserve strengths in the DOD Armed Forces, such force-mix offsets have no relevance to the Coast Guard -- regardless of contrary opinions apparently prevalent in OMB. While the FY85 recommendations of a 500 SelRes strength increase and a 513 Active Military Strength decrease may truly be coincidental, there are many who are justifiably suspicious. Nevertheless, there is great concern within the Coast Guard leadership that OMB will view any future SelRes strength increases as definite trade-offs against active strength. ROA, in the strongest possible terms, flatly rejects that rationale and recommends that language be included in appropriate committee reports which would direct OMB/DOT not to pursue that course of action.

Active strength must grow in order to carry out the Coast Guard's ever-expanding peace-time missions. The Coast Guard Reserve cannot replace the active Coast Guard in this peace-time arena (although the Reserve can assist); yet Reserve strength must also increase in support of war-time related missions. There must be no active duty personnel trade-offs as we seek to build up the Coast Guard Reserve

AIR FORCE RESERVE

The Air Force Reserve (AFR) has achieved new levels of strength and readiness during the past year. In FY83 it attained an end strength of 67,277 versus a programmed 63,736. Quality again increased with 97 percent of all non-prior service enlistees high school graduates. This is a seven percent increase over FY80. The efficiency of the Reserve recruiting program as well as the dedication and hard work of the unit commanders and supervisors is reflected in this accomplishment.

In FY 85 an average Selected Reserve strength of 72,900 is requested, a 5.9 percent increase over FY84. This reflects the military personnel requirements for aircraft modernization and additional units. The AFR's mission support units increase in number from 155 in FY84 to 163 in FY85. These include medical service units, aerial port squadrons, and civil engineering units. It is gratifying to note that the Air Reserve Forces (AFR plus Air National Guard) provide nearly 25 percent of all Air Force flying and mission support capability with only 7.5 percent of the budgeted military personnel dollars ($1,455 million of $19,255 million). It is obvious that the Air Reserve Forces are a real bargain in the total force.

We would also like to call to the Committee's attention, the effect of the erroneously high amount charged to the AFR personnel budget for retired pay accrual. This amount is approximately six times more than the true obligation for the Air Force Reserve and is similarly inflated for the Air National Guard (ANG).

If the correct amount were charged, the Air Reserve Forces would be charged with only 7.0 percent of the military personnel budget.

The Air Force Reserve is not only cost effective, it is a combat ready, fighting force. Exercises and real world contingencies during the past year have again proved that all AFR units can be mobilized in 24 hours and deployed within 72 hours. With the exception of three units converting to newer aircraft, all equipped flying units are combat ready.

A full spectrum of meaningful missions are performed by the Air Force Reserve. As Reservists train, they often support requirements that would otherwise have to be met by the active force. In FY83 AFR equipped units flew 79,458 passengers and airdropped nearly 29,000 troops as part of their normal training missions. In addition, AFR associate C-141 and C-5 units flew more than 67,000 hours and associate aeromedical evacuation units airlifted 54,291 patients. Air Force Reserve C-141 and KC-10 associate crews were among the first to fly missions in support of U.S. military operations in Grenada, demonstrating their availability and readiness whenever required.

Among the key personnel in maintaining mission unit readiness are the Air Reserve Technicians (ARTs). These dual status individuals provide the day-to-day management and continuity of their units while performing in their civilian capacity. As military members of their units, they train other Reservists during active and inactive duty training periods. The high skill level and stability of these employees is critical in sustaining the Air Force Reserve's operational readiness. With respect to mobilization readiness, a small number of ARTs who have, through no fault of their own, been separated from their military assignments, must be continued indefinitely in their civil service positions as "status quo". In an effort to eliminate this problem, changes have been initiated to Title 5 and Title 10 U.S.Code. We urge your support to ensure that the AFR Technician Force is mobilization ready at all times. The proposed ammendments to the existing legislation will provide a combat ready technician force while offering fair and equitable treatment to the technicians regarding tenure in their civil service capacity.

This year the AFR will place added emphasis on manning Individual Mobilization Augmentee (IMA) positions. The IMA's are assigned to specific wartime positions in active force organizations and are trained and supervised by the active force. They assist with the day-to-day mission while performing training in such diverse fields as medical, legal, research engineering, maintenance and intelligence. In FY85 an IMA strength of 11,973 is requested against a wartime requirement of 20,348. This is consistent with the AFR's ability to fund the program.

Continued emphasis is required in recruiting and retaining qualified personnel in critical skills for both the unit and IMA programs. The Air Force Reserve intends to concentrate the incentive programs authorized by Congress in this area. We thank the Committee for its support of these programs and solicit your continued approval.

In summary, the Air Force Reserve's wartime role continues to expand. With continued equipment modernization and successful recruiting and retention of the necessary people, the AFR will continue to be a fully responsive, combat ready force.

GENERAL PERSONNEL ISSUES

PORTAL TO PORTAL COVERAGE

ROA was very pleased to see that the FY 1984 Defense Authorization Bill as finally enacted into law contained limited Portal to Portal medical and dental coverage for Reservists who were injured while traveling to or from inactive duty for training. The gap that had long existed between the protection provided active duty members and Reservists was partially closed by P.L. 98-94. However, additional Congressional attention should be given to the government's responsibilities to drilling Reservists. As you know, even with the changes enacted last year, if a Reservist becomes ill during a weekend drill the Department of Defense is not authorized, under current law, to pay for his medical care. And while, under the provisions of the recent change, a Reservist who is injured while going to or from drill is now authorized military medical care, it should be noted that no provisions were made authorizing pay and allowances during the period of hospitalization. We urge this Committee to look again at the gap in the protection provided the Reservist who becomes ill or is injured in conjunction with military duty verses that provided the active duty member. ROA recommends that legislation to close this gap be enacted into law.

HEALTH CARE PERSONNEL

ROA continues to support the granting of special pay for Reserve Component medical officers. When Congress enacted PL 96-284, which provided special pay for active duty health care professionals, the Reserve Components were not included. If such a special pay incentive program were established for the Reserve Components, we believe that it would have the same beneficial effect on recruiting and retention that PL 96-284 has had for the active duty force. Significant shortages still exist in Reserve Components health care professional recruiting and retention. Legislation that addresses the problem is needed if we are going to realistically reduce the shortages that currently exist.

RETIREMENT

ROA was pleased to see the Congress slow down last year in its restructuring of the military retirement program. The proposal to make permanent the half COLA for those under age 62 was not enacted, and thus our National Defense force structure has been saved from the ravages that this proposal would have caused.

ROA is very concerned, however, over the repeated attacks on military retired pay and the assumption that the current retirement program can be changed without having an adverse impact on our military readiness capabilities. It should be noted that the Army has found that retirement remains the most important factor in careerist reenlistment discussions. As the primary careerist reenlistment factor, retirement has become even more important in the last few years, The retirement system is also becoming increasingly important in first term reenlistment discussions. Retirement increased from 8.2 percent in August 1981 as the primary first term reenlistment factor to 14.3 percent in February 1983. This represents a 75 percent growth in only an 18 month period.

Regarding the common misconception over the amount of retired pay individuals are receiving, the Honorable Tidal W. McCoy, Assistant Secretary of the Air Force, (Manpower, Reserve Affairs, and Installations) pointed out at a Committee hearing last year that 64 percent of DOD non-disability retirees get less than the poverty level of a family of four ($9,680.00), and about the same as many families receiving welfare assistance. And this is after spending a minimum of 20 years in the service of their country!

It is not necessary to remind this Committee that military retirement is earned and should not be confused with the non-earned entitlements that have been growing at such a high rate over the last few decades. As Secretary McCoy also pointed out, in terms of Gross National Product, retirement for all members of the armed forces is and will remain at about five-tenths of one percent of our Gross National Product for the foreseeable future. The Congressional Budget Office, in its recent analysis of the President's FY 1985 budget, states that all entitlements amounted to only 5.4 percent of the GNP in 1965. However, due to rapid growth in the 1960's and 1970's, entitlements had increased to 12.4 percent of GNP by 1983. During this same period of rapid growth many non-earned entitlements were added. The growth of these non-earned entitlements, often referred to as "means-tested" entitlements, should not be used as an excuse to reduce the purchasing power of military retirees who have an earned entitlement through long years of service.

ROA is concerned that those who do not understand nor appreciate the sacrifices involved in military service will lead a stampede that could result in major structural changes in the military retirement program. It is our belief that any major change that reduces the value of the military lifestream earning package will create the need for additional recruiting and training costs which will more than offset the dollars saved by changing the retirement program.

This Nation must do nothing that breaks faith with those who have already served or destroys the confidence of those who are now serving. As Senator Strom Thurmond, a former National

President of ROA, stated on the floor of the Senate last year, regarding proposals to reduce military retirement pay, "We must restore the confidence of our military personnel in our government. The continued erosion of this faith at the expense of our national security must cease. Dedication is being stretched to its limits. Many in the military community active and retired already believe that Congress has been acting in bad faith with them. The greatest danger to our society posed by further cuts in military retirement and related benefits, is that service people more and more are concluding that their Government no longer places great value on their service, dedication and loyalty."

COMMISSARY PRIVILEGES

ROA was very pleased to see Congress direct the Department of Defense to conduct a test program in which a limited number of Selected Reservists would be allowed, at their convienence, up to 14 commissary visits each year. The test, which began in January and will end in December of this year, is certainly a step in the right direction and we look forward to seeing the results of the test. Hopefully the test will show that the increase in customers can be handled without adversly impacting upon those who are otherwise authorized commissary privileges and that this program can be expanded to provide all members of the Selected Reserve the opportunity to exercise their commissary privilages in the same manner that they currently use their post exchange privileges.

In addition, ROA believes that exchange and commissary privileges should not be lost to those who are transferred to the retired reserve after completing 20 or more qualifying years of service. Reservists in this category remain in a limbo status until they reach age 60 and become entitled to pay and other benefits associated with military retirement. It would be a low cost benefit to extend post exchange and commissary privileges to these pre-age 60 reserve retirees and would serve as a valuable retention tool for the Reserve Components.

GI BILL

ROA continues to support the need for a new GI bill. We view this as a valid means of improving both the quality of recruits and the ability to retain needed personnel in the active and reserve forces. As the economy continues to improve, problems in recruiting, particularly among the higher mental categories, will develop. A new GI bill will assist our armed forces, both active and reserve, to recruit and retain qualified personnel they require to meet our Nation's globel commitments. As Defense Secretary, Casper Weinburger said (in a report to Congress regarding the need to extend the December 31, 1989 GI bill deadline for Vietnam era veterans), "Carefully designed education incentives are an effective means of attracting high quality personnel to military service and retaining them." The Reserve Officers Association believes Secretary Weinburger is correct in this assessment. We hope that the Congress will take action this year to enact legislation such as that introduced by Mr. Montgomery, HR 1400, which recognizes the importance of providing an educational incentive to both the active and the reserve components.

RETIRED PAY ACCRUAL

We would like to call to the Committee's attention, the effect of the eroneously high amount charged to the Reserve personnel accounts of each service for retired pay accrual. The FY84 Defense Authorization Bill (P.L. 98-94) required the military services to budget for military retirement costs on an accrual basis beginning with the FY85 budget request. Included was a requirement to use a single percentage figure of base pay in computing both active duty and Reserve accrual. The Office of the Secretary of Defense (OSD) directed all services to use a retirement accrual factor of 51 percent of base pay for all military personnel (active, Guard and Reserve).

This factor is far above any calculation applying specifically to a Reserve Component. The OSD Chief Actuary's estimate for reserve drill pay alone reflects an accrual factor of 8.1 percent. Using the 51 percent factor the Army's Reserve Personnel request was increased by $560 million for retired pay accrual or 34.5 percent. Clearly a calculation tailored to Reserve Component pay would call for a budget amount far below $560 million.

In conclusion, the overstatement of retired pay accrual costs derives from the language contained in the FY84 Defense Authorization Act. This overstatement severely skews the percentage of growth attributable to retirement costs associated with the RPA appropriation and makes the personnel and training costs of the Army Reserve (and all other Reserve Components) appear far more expensive than they are in reality.

Thank you for the opportunity to appear before this Committee. Your support for the men and women in uniform, Active and Reserve, is noteworthy and sincerely appreciated.

I will be happy to answer any questions that you might have on these issues.

Senator JEPSEN. Thank you, sir.

I will recess now just for a few minutes. I have to vote.

[Recess.]

Senator JEPSEN. Thank you for waiting.

Colonel Hennrikus, U.S. Air Force, Retired Officers Association.

STATEMENT OF COL. GEORGE F. HENNRIKUS, U.S. AIR FORCE, RETIRED, DIRECTOR OF LEGISLATIVE AFFAIRS, THE RETIRED OFFICERS ASSOCIATION

Colonel HENNRIKUS. Mr. Chairman, we very much appreciate the opportunity to appear before you today. We understand the purpose of the hearing is to listen to a broad range of representative views on manpower and personnel aspects of defense authorization for fiscal year 1985. We also recognize the request before you does not address specifically the Uniformed Services Retirement System. We have great concern about that system, particularly with respect to the changes it has undergone in the recent past and those being considered for fiscal year 1985.

In deference to your request, Mr. Chairman, this statement seeks to report the consensus of the views of the 16-member organizations of the Council of Military Organizations with respect to the Uniformed Services Retirement System. In order to arrive at a position with which most organizations could agree, numerous compromises have been incorporated, and the final product may be less than totally satisfactory to all.

Mr. Chairman, all who deal with the management of uniformed services personnel agree that retirement is an integral part of the career compensation system and that it should never be considered in isolation. Yet in the past 3 years it has been subjected to changes which will have a permanent impact on those already retired and those still in the career force.

All of these changes have been cost motivated and have been a significant part of the overall effort to return this country to economic stability. As such, they have been made without prior consultation with this committee, and therefore without reference to their impact on the active force and the long-term cost implicit in a system uniquely sensitive to the forces of supply and demand.

We certainly grant that economic recovery must have the highest priority, and that control of inflation and the deficit is essential if the recovery is to be sustained. Furthermore, the great majority of those we represent support recovery efforts and have been willing to accept a share of the burden.

With the realization that military retirees have been assigned twice their fair share of the burden with further reductions being contemplated, there is now a growing resistance to a budget process which in effect denies due process to those most affected.

With the Congress, there are a number of deficit-reducing schemes which contain provisions to further abrogate the agreement under which retirees served. Most of these plans are normally directed at the Civil Service System and are being debated in that context. However, we can be assured that if approved, they will be applied to the Uniformed Services System under 10 U.S.C. 1201(a) as amended in Public Law 97-35.

Last week the chairman of the House Armed Services Subcommittee on Military Personnel and Compensation told an Air Force witness that the Congress will change the retirement system, that it will be done within the budget process or as an amendment, possibly as an amendment or a resolution on the floor, and that it will be a hodgepodge.

My point here is that it already is becoming a hodgepodge, and we look to your committee to restore the system to its original purpose. We ask that any further changes be evaluated with due consideration being given to those personnel already committed to the system, and of equal importance to the quality of the force.

As Secretary Korb noted, such an evaluation may not be possible until next year. Until that time, we hope that you will be able to forestall any further changes in the system.

Mr. Chairman, in our full statement we have offered some suggestions that might be considered in modifying the system. Again, thank you very much for this opportunity.

[The prepared statement of Colonel Hennrikus follows:]

PREPARED STATEMENT OF COL. GEORGE F. HENNRIKUS, JR., USAF, RETIRED DIRECTOR, LEGISLATIVE AFFAIRS, THE RETIRED OFFICERS ASSOCIATION

Mr. Chairman, and Members of the Committee

I am Colonel George F. Hennrikus, Jr., United States Air Force, Retired, Director of Legislative Affairs of The Retired Officers Association, (TROA), which has its National Headquarters at 201 North Washington Street, Alexandria, Virginia. Our Association has a membership of over 328,000 retired, former and active duty officers of the seven Uniformed Services. Included in our membership are 37,000 widows of former members.

In deference to your request, this statement seeks to report the consensus of the views of the sixteen member organizations of the Council of Military Organizations with respect to the uniformed services retirement system. In order to arrive at a position with which most organizations could agree numerous compromises have been incorporated and the final product is less than totally satisfactory to all.

The opportunity to address changes in the system currently being considered in the Congress in connection with the Fiscal Year 1985 budget request is very much appreciated.

That request contains a proposal to delay the next cost of living adjustment (COLA) from 1 May 1984 until 1 January 1985 and to change the period on which to base the next COLA. In addition, the administration's budget request would remove the current 3.3 percent minimum adjustment for retirees, not retired for disability, and who have not reached the age of 62 before March 1, 1984.

The fact that none of these changes are part of the Department of Defense Authorization Bill is recognized and is cause for considerable concern. The legislative pattern followed over the past few years has effectively denied this committee its proper oversight authority with respect to the military retirement system. Senator Tower addressed this subject earlier this month in his statement before the Committee on the Budget.

Within this Committee and among those who manage uniformed services personnel there is general agreement that retirement is an integral part of the overall career compensation system and, as such, it cannot be considered in isolation. It is in the spirit of this philosophic approach that we elected to address retirement very briefly, even though the Defense Authorization Bill does not and despite the fact that the Defense Department witnesses have simply noted the need for future consideration.

We are concerned that over the past several years the retirement system has, in fact, been altered without reference to the possible impact on the active force and without proper consideration for long term costs implicit in any change in the system. Without prior consultation with this Committee, the indexing formula was abrogated for 80 percent of those now retired. Again this year, it's apparent that a further change will be approved by the Congress - one that will effectively omit 9 months and over 3 percent from the next cost of living adjustment.

These changes, though appearing to be temporary in nature, will have life long effect. They have been formulated by legislators whose only goal has been to reduce spending with the least political repercussion. We certainly grant that economic recovery is absolutely essential and that control of inflation and the deficit is implicit if the recovery is to be sustained. Furthermore, the great majority of those we represent support recovery efforts and are willing to accept their fair share of the burden.

In the final analysis, retirees were forced to accept twice their fair share of the burden. Military retirement represents 3% of the entitlement portion of the Budget, yet almost 6% of the reductions in entitlements contained in the last two Omnibus Budget Reconciliation Acts applied to military retirees. Of particular concern was the provision which limited non-disability retirees under age 62 to one half the projected COLA for the years 1983-85. This impacted on 80% of all military retirees. Again this provision was fashioned by members of the Entitlements Task Force of the

Budget Conference Committee. The Armed Servies Committees were consulted after the fact.

In ongoing markups in the Budget and Tax Oversight Committees, further reductions are being considered with no apparent significance being given the sensitive nature of the military retirement system or the effect any change may have on the active force. In these discussion, "service" has become synonomous with "employment" and the term, "non-means tested" has replace "earned" in describing the entitlement. There is little or no acknowledgement given to the fact that you cannot civilianize a retirement system without also civilianizing the career upon which it is based.

Some would have us believe that the only feature that distinguishes the military from any other career is combat. Assistant Secretary of the Air Force Tydal McCoy noted recently that 70% of recent Air Force retirees had received hostile fire pay during their careers. However, as you are aware and many of your colleagues are not: no matter what the nature of the job, everyone in uniform must cope with long hours of duty, frequent reassignments, isolated tours and family separation. And most important, few in uniform ever enjoy the relative stability of their civilian peers and the opportunity to accumulate an estate, provide for educating children, or develop equity in a home. For them, retirement is the single compensating factor other than the satisfaction in having served. Retirement, itself, at a time when family expenses are highest, can also be difficult.

Over and above the effect of these changes on individuals, however, is the impact on the active force. Realistically, uniformed services retirement has always been sensitive to the forces of supply and demand. During periods of recession with high unemployment, the entitlement, itself, and related benefits can be reduced with minimal effect on the quality and quantity of the force. Conversely, during period of prosperity, more people opt for the relative stability of the private sector or civil service. This is another instance where the economic asumptions normally applied to the civilian sector run contrary to military realities. The experience of the last two years is a case in point. Now that we are well into economic recovery, a recovery still predicated upon deficit reduction, this Committee must be alert to the effect of any further changes in the retirement system.

Recent and proposed changes have been products of the budget process and have been applied, nominally, to the civil service system. Application to the military system has been automatic in accordance with 10 U.S.C. 1401a as amended in P.L 97-35. An example of the distortions created when laws are formulated within the budget process without consultation with the oversight committee can be found in Subsection (d) of Section 301 of the Omnibus Budget Reconciliation Act of 1982 (96 Stat. 791; 5 U.S.C. 5332 note). This provision requires that a federal employee who is also a military retiree suffer a reduction in salary equal to cost of living adjustment to his military retired pay. This provision even applies to military retirees working for non-appropriated fund activities at minimum wage. This creates the anomoly of non-appropriated funds being reverted to the general treasury.

Last week the Chairman of the House Armed Services Subcommittee on Military Personnel and Compensation told an Air Force witness that the Congress will change the retirement system; that it will be done through the budget process, or as an amendment or resolution on the floor; and that it will be a hodge-podge.

My point here is that it is already becoming a hodge podge and we look to your Committee to restore the system to its original purpose and to assure that any future change be carefully evaluated with due consideration being given to those who are already committed to the system and to the quality of the force. As the Defense witness noted, such an evaluation may not be possible until next year, at which time the recommendations of the Services, and the Report of the Fifth Quadrennial Review of Military Compensation (QRMC) will be considered.

In connection with that evaluation, the following recommendations are made as possible ways to improve the compensation system without destroying it:

With the inauguration of the accrual accounting system, the Committee might consider establishing within its framework a Survivor Benefit Plan Fund. Since that plan was established in 1972 the reductions in retired pay plus accumlated interest exceed the claims paid to beneficiaries during that same period by an excess of over 2 billion dollars. This Committee might direct that, the governments' 40% share of funding for that program be deposited in the sub-fund each year to preclude a possible future unfunded liability. That $2 billion plus the government's subsidy should be returned to the fund over a given period of time beginning in fiscal year 1985.

Repeated efforts to make improvements to SBP have met with limited success. Today nearly one-half (46 percent) of retirees eligible to participate in the program make a conscious decision not to participate. An initial step in rectifying this problem would be to authorize the $300 base amount established in 1972 to be adjusted for inflation. That $300 base amount if adjusted accordingly would now be $700 and would bring the cost back into the correct proportion which was initially intended. Two other changes to improve the program we request be included in the Defense Authorization bill are the elimination of 1) the Social Security offset for widows who have one dependent child in their custody and 2) the offset for those widows whose Social Security benefits are derived from their own working record.

These three changes to the cost/benefit structure should be included in this year's Defense Authorization Act including establishing the SBP separate fund within the new accrual accounting system. At the same time as the sub-fund is established the reductions made to retired pay should be placed in the sub-fund along with 40% matching funds by the government. An annual report from the actuaries should be required to determine future cost/benefit changes to maintain the 60/40 ratio originally intended when the program was established. The Retired Serviceman's Family Protection Plan and the Reserve Survivor Benefit Plan programs, although actuarially neutral, should also be made an additional sub-fund in the military retirement system.

When current laws were enacted to limit COLA's for retirees below age 62 and not disabled there were assurances incorporated to protect the annuities of those covered by the Survivor Benefit Plan and the older Retired Serviceman's Family Protection Plan. This Committee must insure that such assurances be maintained. Many widows of retired servicemembers are receiving annuities based on the belief of their deceased spouses that their contributions by reductions in retired pay would provide annuities protected against inflation. That guarantee must also be honored.

P.L. 97-252 the Defense Authorization Act of 1982 contained a provision entitled the Uniformed Services Former Spouses Protection Act. Courts have interpreted this as authorizing a divorce court to award 100 percent of a military retirees' retired pay to a former spouse. We believe that the law should be amended to limit the military retirement property distribution to the amount of retired pay to which an individual would have been entitled as of the time of divorce or separation. The maximum amount of retired pay subject to property distribution should be in reference to the service condition existing at time of divorce.

Two years ago, the House Armed Services Committee published an historical summary of the adjustments that have been made to the military retirement system over the last 25 years (House Armed Services Committee Print No. 17 Dtd May 1982). In concluding that summary the following statement was made:

"The preceding historical summary reflects the progressive effort made by both the Executive Branch and the Congress to develope an automatic mechanism which would, in the last analysis, **guarantee every military retired member** that the purchasing power of the retired pay to which he was entitled at the time of retirement would not, at any time in the future, be eroded by subsequent increases in consumer prices."

If the above statement is true and the current system is the guarantee as expressed, then the changes proposed in this year's budget proposal are a serious abrogation of that expressed guarantee. Over 1.2 million retiress and even more active duty members who have elected a military career put faith in that guarantee. If the Congress does not live up to its guarantees then its integrity is placed in question. Promises made should be promises kept. Retirees who have given 20 or more of their most productive years and active duty members who have committed themselves to a military career have no recourse after the fact. Even if the promises are expensive, they must be honored. I might add at this point that from early reports of the findings of the 5th Quadrennial Review of Military Compensation (5 QRMC) the lifestream earnings of career servicemembers are less than those experienced by their civilian peers. This takes into consideration the present retirement income provided by retired pay. In the final analysis, a servicemember is being asked to contribute more than just service to his country but also reduced lifetime earnings as a result of that service.

In summary, I want to remind the members of this Committee that the military retirement system is unique to the military in that it is unlike any other so called pension systems. It provides the nation with approximately 800,000 skilled experienced people below age 60 who can be recalled anytime (at the discretion of the Service Secretaries) to fulfill emergency manpower requirements.

Thank you, Mr. Chairman, I'll be happy to respond to any questions that you may have.

MOST IMPORTANT COMPENSATION INITIATIVES

Senator **Jepsen**. Thank you. It would be very helpful to this subcommittee if you would identify the three compensation initiatives you consider the most important. You can either do it now or you can do it in writing. If you could list them now, we would appreciate hearing them. Would you prefer to submit that in writing, or would you like to comment on those?

Colonel **Hennrikus**. Since I represent the 16-member organizations, I would like to defer my response until I can consult with everybody and come up with a good consensus.

Admiral **Spiro**. Mr. Chairman, I believe I would make the same request. I think we in the ROA are very much attuned to the GI bill as one of those, but I would like to submit something to you if I may, sir.

Senator **Jepsen**. As you all know, there have been many proposals that have just been alluded to to save money by making changes in the current military retirement system. One question I would have is, did you consider the formulas for the COLA's to be part of the initial contract that was entered into at any point in line with anyone in the military service?

Colonel **Hennrikus**. With the, I guess, 30 odd changes made over the last 10 or 15 years, it is difficult to say that anything is a basis of initial contracts where the contract has been amended so many times you would have to trace it. Of course, this particular element went back to 1963. The majority of those now retired understood that this was the way their retirement pay would be treated. Any change in that is very significant to them.

As I mentioned in my statement, in the full statement, also, they would not be as disturbed about it if they saw it as a fair-handed part of their burden for economic recovery, but at this point it is not. Retirement represents 3 percent of the entitlement budget, yet retirement has sustained 6 percent of the cuts in the last three sessions of Congress, so that is why there is concern. COLA has been extremely important, of course, in the high inflationary period. Retirement pay in itself would be as nothing. In fact, it would be a detriment to be tied to such a system if there was not a COLA.

So to say it is part of a contract, we all understand there isn't a contract. It is very difficult to really say that people feel their contract was abrogated because of it, and of couse military retirement pay has always been balanced in some way. It was either tied to the active force before 1963 or it was tied to the Consumer Price Index after 1963. So there has been that factor there throughout probably 100 years or more.

Sergeant Major **McKinney**. Mr. Chairman, in following up with what Colonel Hennrikus has to say, the correlation between retired pay and active pay was that, prior to 1963 and the changes that were coming online as far back as 1958, anyone in the same pay grade with the same number of years always received the same retired pay, reflective, of course, on what the pay was for the active duty forces.

Most of our associations went before the House Armed Services Committee a number of years ago, back in the early seventies, asking for what we called a recomputation of retired pay, that is going back to the system of giving retired pay based on grade and time in the service. In the wisdom of the Armed Services Committee on the House side they felt the cheapest method was the CPI indexing although we disagreed with it. That was Congress decision, and I feel that since they said this is the way the program is going to be, that that was part of the contract or the implied contract that Congress had with military retirees, and certainly COLA is an imminent part of retired pay at this time.

Colonel **Hennrikus**. Mr. Chairman, with your permission, I might mention a statement that was made a couple of years ago in a House Armed Services Committee print dated May 1982. It stated, and I quote, "The preceding"—it was actually an historical summary of what had happened to retirement over the years.

It said,

> The preceding historical summary reflects the progressive effort made by both the executive branch and Congress to develop an automatic mechanism which would in the last analysis guarantee every military retired member that the purchasing power of the retired pay to which he was entitled at time of retirement would not at any time in the future be eroded by subsequent increases in consumer prices.

I guess if there were any kind of a contract statement, this sort of sums it up, and I am sure you agree with that statement. It appears in our enlarged statements.

Senator **Jepsen**. The formula itself being there to provide for increase in retirement, the factors that go to make up the formula have been addressed in social security, and they are addressed here. They have been questioned. Some of the indexing used is the rate of interest on mortgages which normally in a retirement year are not a factor. We are looking at that.

Do you have any—I guess I would ask that you submit if you so desire in writing the comments that you might have by way of military retirement, changes in the military retirement package in order to meet the savings target. If the budget reconciliation bill requires the Senate Armed Services Committee to change the military requirement package in order to meet the savings target, how should the committee carry out that requirement?

Please do not submit and say that the Budget Committee should not do that. I do not have any control over the Budget Committee. And please know that we are looking for guidance and help, not for ways to try to do somebody out of something, but to make sure that we are doing things that are within the realm of reason. We are looking for areas to make savings.

As I indicated in the last panel, I am on your team, both active and retired. That is my—because of my feeling and attitude toward the defense of this country and the armed services, I came here 6 or 5½ years ago, winning an election at a time when it was not very popular to be what I was at that time, which was strong for defense. That was before most people thought about coming out front on it. My record is clear.

So when I ask for help, I mean that very sincerely. I want everyone's input. I also understand that the witnesses here, and I am repeating myself now, are not necessarily speaking for all of the associations. Please submit for the record the recommendations that they have.

There are examples of people who are on retired service with a larger income than their counterparts on active duty because of the way the things are put together. Those are things, like the $475 claw hammer, that people wave in the air and say the Department of Defense is not in the real world. I think we should all work together to try to reexamine very carefully what we have in all areas in our retirement system. We will be much stronger in making sure everybody gets a fair shake if we look at all the options before we bring them down topside.

Yes, sir.

Sergeant Major McKINNEY. I just wanted to say that the Non-Commissioned Officers Association is currently conducting a survey, a voluntary survey. We explained the current system and the QRMC system, then had a little form where all you had to do was check or circle whatever the answer was. Then we gave them space to make remarks. We violated all of the good principles of conducting a survey—for example, we did not provide postage paid free envelopes, self-addressed back to the association, so everybody had to spend 20 cents to send it in.

We have received over 1,300 forms, completed forms, and I would like to share the results with the chairman later on, if I may, because it is very interesting. It is amazing, with the perception that many of our active duty people have cut there, a lot of them are checking choice No. 3 in the QMRC recommendation which gives them up-front money, but then that recommendation is not saving any money to begin with.

The remarks are, "We would like to get it now, because we are not too sure Congress will let us keep it in the future." That is the sort of perception that is being generated out in the field. I think it is interesting, and I would like to share that with this committee.

Senator JEPSEN. Fine. Along that line, one Congress cannot bind another Congress. You know, I tell folks, senior citizens receiving social security and others, that their social security is part of a national commitment. I think our retirement for our military is part of our national commitment. It is as good as our government in general, and in general the business world in the areas of pensions or benefits where you have on a contractual basis entered into them which they essentially do when they enlist the service and then they agree to stay. We find that only with rare exceptions will you go back and change things so that you take anything away.

There has been one occasion, and that is the well known Notch program. Social security folks that were born in 1917 and 1921 were essentially told they were going to have less. In 1977, I think is the first time on record. They literally came out and surgically said we have been figuring the formula wrong. We are going to change it. We are going to do it surgically, and that is tough. It is kind of a no-brain way to approach it, because the least you could have done was to reach out 30 years on both sides, or life expectancy on one side and 30 years backward, or done something that would have shared the burden. So with that exception, I do not foresee a Congress in this country reneging.

Now, that does not mean that we cannot change, and that is where we have got to keep an open mind and an open forum going. Because we have always done something a certain way does not mean we have to continue if it is wrong or if there is a better way of doing it.

So like most any changes in long-term commitment programs, whether they be retirement benefits, hospitalization benefits, if there are any changes made, there will be an option. Either you can take a choice of continuing on presently in the way you are going, or you can take an option of changing to a new formula.

So, I think maybe we ought to explore thinking about putting in a resolution each year. You might be thinking about that, talking to your membership. You might want to recommend to the various committees, whether it be an Armed Service or Finance or whatever it may be, a resolution be adopted year in and year out in the Congress along those lines. If there are going to be any changes made in programs, that they be made with the complete understanding and consideration of the contractual obligations.

Admiral **Spiro**. Mr. Chairman, you rather eloquently stated the fact that 5½ or 6 years you came with a commitment. I simply want to say that we appreciate that commitment which you have had for more than 6 years, perhaps your life. I, personally, in my organization, and these other gentlemen and their organizations share that. We want to thank you for the initiatives of this committee in many areas and your leadership of it, because we believe that this is the only true road to peace through strength and through preparedness of a viable nature.

Senator **Jepsen**. Do you have any closing statement?

Colonel **Hennrikus**. Just one small amendment, Senator. It has to do with your statement that some people retired make more than those on active duty. There are actually only 47 retirees out of 1,400,000 that are in that category, that make more in retirement than those of the same grade on active duty.

Senator **Jepsen**. I am glad you gave that number. I have heard different numbers. I should have added that it is very small by comparison. When you hear it used or reported, it sounds like it has happened all across the board.

Colonel **Hennrikus**. You can also get lost in statistics. The main thing is, we have to maintain a quality force, and how do you best do that?

Senator **Jepsen**. But we must address this now. It is good you pointed out that out of over 1 million you have 47. I would appreciate the documentation that goes with it. I am not questioning it, but I want it in the record. I want to be able to use it, too, because when you get out on the firing line, and I am there daily, certainly weekly now, the questions, about 90 percent of them, are, how come you are on the Armed Services Committee, how come there is all this waste, fraud, and abuse? We should cut all their defense out. We are going to cut it all out and save the deficits. We need specific answers in all areas, and that is good. I appreciate that.

Sergeant Major **McKinney**. Mr. Chairman, I just want to express the views of the active duty membership. That is the fact that this committee has probably been more generous than any other committee in the Congress in relationship to active duty compensation and benefits, and there is certainly a gracious feeling out there of gratitude to this subcommittee.

Senator **Jepsen**. Well, I thank you. I am concerned, as we both are, that the morale is in good shape, and it is 180 degrees from what it was when I came on this committee. That is the key thing. Military men and women are normally appreciated only when we get into difficulty and trouble. But we are going through a period in peacetime now where we have an unprecedented level of morale, and esprit de corps. That is due to combined efforts of a lot of people not just this committee, but the leadership, the Commander in Chief, and right on down through the entire structure.

And you gentlemen and your associations and all the others also have brought this about, and I sleep much better at night than I used to.

Thank you very much.

[At the request of the chairman, the following organizations have submitted statements for the hearing record: (1) National Military Family Association, Inc.; (2) Fleet Reserve Association; (3) National Association for Uniformed Services; and (4) Naval Reserve Association.]

[The statements follow:]

PREPARED STATEMENT BY THE NATIONAL MILITARY FAMILY ASSOCIATION, INC.

The National Military Family Association appreciates the opportunity to submit this written testimony regarding military compensation. This particular piece of testimony will specifically address the area of PCS reimbursements.

REIMBURSEMENT OF RELOCATION COSTS

The National Military Family Association (NMFA) is an all volunteer, nonprofit, educational organization. Our members include wives and widows of active duty and retired personnel of the seven uniformed services. NMFA seeks to inform and educate military families and the public regarding issues affecting the quality of military family life.

Military Families Bear Costs of Relocation. On average, military families make a government directed move every 2½ years, frequently across country or overseas. With each move, every military family bears significant unreimbursed costs. A 1982 Air Force study determined that only $1 was reimbursed for every $3 spent by their families in permanent change of station ("PCS") moves. That study also determined that 56% of Air Force members borrowed or depleted savings to cover unreimbursed PCS moves. The Navy calculates that its members annually absorb $200 million alone in unreimbursed auto-related PCS expenses. Military families, who support the career choice of military members, cannot indefinitely bear the financial hardships imposed by the succession of PCS moves in a military career. Failure to reimburse ⅔ of the costs of the frequent PCS moves serves as a serious disincentive to retention by lowering the families' living standards.

Disparity with Civil Service Relocation Policies. Relocation reimbursements to civil service employees for a government directed move far exceed those to military members and their families even though both groups work for the same employer. Civil service employees receive the following reimbursements denied to military family members: (1) a per diem allowance for family members during the move; (2) payments for 60 days of temporary lodging; (3) reimbursement for home sale and purchase costs; and (4) reimbursement for house hunting trips. Thus, for the same cross-country move, a GS-9 family of four could be reimbursed $19,574.00, while an E-7 family of four would be reimbursed no more than $1,614.36. (See Attached Schedule). Despite this gross disparity disfavoring military families, Congress increased civil service relocation entitlements in 1983 but failed to increase military PCS reimbursement.

Disparity with Private Sector Relocation Policies. Because the military must compete with the private sector to retain trained personnel, private sector relocation policies are also relevant. Private sector relocation policies reflect the concensus that employers must bear the cost of employee moves which serve corporate purposes. For example, when Georgia Pacific relocated its headquarters from Oregon to Georgia, it expected to spend approximately $50,000 for each relocated employee and provided assistance ranging from rebate of real estate commissions to family counseling and spousal employment search programs. In 1982, private corporations bore relocation costs of $46,800 for each employee relocated (or 104% of the average total annual compensation), according to a Merrill Lynch Relocation Management, Inc. study.

Recent Merrill Lynch studies found that relocated private sector employees receive the following assistance unavailable to military families for PCS moves: (1) 3 to 5 year mortgage subsidies (75% of all firms surveyed); (2) reimbursement of selling costs or corporate sponsored home purchase programs (97% of Fortune 500); (3) reimbursement for househunting trips to the new location (95% of all firms, with 43% allowing 2 such trips); (4) reimbursement of non-homeowners for lease termination penalties (98% of all firms); (6) reimbursement of families for temporary living, averaging 35 days; (7) an incidental expense allowance, generally ranging from $500 to $750 (no receipts); and (8) formal programs to assist job-hunting spouses (26% of firms). Corporations universally pay the per diem expenses of the family in transit.

Unlike many corporate families which relocate, military families must meet their unreimbursed expenses from relatively lower incomes and must be prepared to do so every 2½ years for the duration of the military career.

PCS Separation of Family Worsens Financial Impact. Frequently, the military member must precede the family in PCS moves, to join the brigade or deploy with the ship. While civil service employees and corporate employees may coordinate voluntary relocation with school recesses or home sales, the military member must proceed to the new duty station at the time specified by the PCS orders. Separation of family members in PCS moves imposes heightened economic hardship, since the member's per diem is unavailable to pay part of the basic cost of the family's lodging en route. Thus, the hardship imposed by unreimbursed costs is routinely aggravated by the separation of the member and his family.

Weight Allowances. Weight allowances for PCS moves have not increased since 1966. Current figures show that approximately 20 percent of senior service members ship overweight and must reimburse the government for shipping excess weight. Many families sell possessions at sacrifice prices to avoid paying the freight.

Failure to Reimburse Lowers Pay. Failure by the government to adequately reimburse the costs of a PCS move lowers the standard of living of military families. Yet, we have never seen a pay-comparability study which took into account the expenses borne by military families in unreimbursed relocation costs. Many families cannot bear the financial costs of a member's compliance with PCS orders without borrowing and/or depleting their savings. Every military family is forced to subsidize the government's relocation costs with funds which should go toward the family's living expenses.

The catalyst for termination of many military careers is the prospect of yet another costly, forced move. Thus, the military loses its best-trained members to the private sector which properly views relocation costs as the responsibility of the employer whose interest relocation serves. Clearly, short-sighted savings which force military families to bear the costs of relocation result in additional recruitment and training expenses for replacing personnel.

Relocation Costs in PCS Moves Must be Farily Reimbursed. The military family bears many burdens in supporting the member's choice of a military career. Military members willingly pledge their lives to protect the nation, and they dutifully comply with orders designed to maintain and improve the effectiveness of the nation's military forces, including PCS orders which uproot their families at 2 to 3 year intervals. It is unfair to expect military families to bear the financial costs of the member's compliance with PCS orders. In seeking reimbursement of relocation expenses, military families seek no more than fair treatment by the government and the people they serve.

Thank you.

The National Military Family Association

[Enclosure.]

SUBJECT: PCS MOVES

Because of inadequate travel, transportation and relocation allowances, military families are forced to subsidize the U.S. Government each time the family makes a PCS move. According to a 1982 Air Force Study:

"Only $1 was reimbursed by the government for every $3 spent on a PCS move. Median unreimbursed expenses were $2,070 for senior enlisted members. This amount equates to a loss of 25 months of the October 1982 4% pay raise. (These figures do not include unreimbursed home ownership costs).

"56% of the respondents had to borrow or remove money from savings in order to cover the expenses incurred during a PCS move."

In addition, a tremendous difference exists between relocation reimbursements made to civil servants and military members for a government directed move. For example, on a cross-country move a GS-9 family of four could receive $19,575 in total moving reimbursements while an E-7 family of four would receive $1,614 for the same move. This large difference arises because civil servants receive:

"reimbursements for house hunting trips,
"payments for 60 days of temporary lodging,
"reimbursements for home sale and purchase costs, and
"a per diem allowance for family members during the move."

Military members receive none of these entitlements.

Despite the disparity in reimbursement policies, relocation entitlements for civil servants were increased during 1982 and 1983. At the same time, Congress refused to make any significant increases in military PCS entitlements.

An additional financial burden is placed on those military families who ship overweight. Approximately 20% of senior service families exceed their weight allowance and must either sell their possessions (usually at a substantial loss) or repay the government for the cost of shipping over their weight allowance. Weight allowances have not been increased since 1966.

The unreimbursed costs of a PCS move act as a pay cut and force the military family to accept a reduced standard of living. In the long run, this policy will adversely affect retention. As children grow older and family expenses increase, the military member will seek employment in the private sector rather than pay the costs of a forced PCS move. The military will thus lose experienced people—those who will be the most difficult and costly to replace.

The military member and family make many sacrifices because of the very nature of military life. Military families contribute to national defense through their support of the military member's career choice and should not be forced to endure the financial hardships caused by an unfair and inadequate PCS reimbursement policy. These families deserve to be treated fairly by the government they serve.

The National Military Family Association believes that military families should receive PCS reimbursements comparable to those already received by federal civilian employees.

COMPARISON OF HYPOTHETICAL PCS REIMBURSEMENTS

[Washington, DC to San Francisco, CA]

	Civilian GS–9	Military E–7
Prior to departure:		
House hunting trip*		[1] 0
Air Tvl/employee	$436.00	
Air Tvl/spouse	436.00	
10 days per diem/employee ($50/day)	500.00	
10 days per diem/spouse ($37.50/day)	375.00	
Real estate expenses:		0
Sale of residence*	[2] 6,000.00	
Enroute:		
Automotive travel (2,838 miles)	[3] 567.60	[4] $865.59
Tolls	10.00	0
Per diem:		
Member (9 days @ $50/day)	0	[5] 406.17
Employee (9½ days @ $50/day)	475.00	0
Spouse (9½ days @ $37.50/day)	356.25	0
Child 13 (9½ days @ $37.50/day)	356.25	0
Child 9 (9½ days @ $25/day)	237.50	0
Following arrival at new duty station:		
Temporary quarters		
Member + dependents (4 days)	0	[6] 0
Employee + dependents (1st 30 days)*	[7] 3,750.00	0
Employee + dependents (2nd 30 days)*	[8] [9] 1,875.00	0
Miscellaneous expenses		0
No receipts	700.00	0
Dislocation allowance * *	0	342.60
Real estate expenses		0

COMPARISON OF HYPOTHETICAL PCS REIMBURSEMENTS—Continued

[Washington, DC to San Francisco, CA]

	Civilian GS-9	Military E-7
Purchase of residence *	[2] 3,500.00	
Total reimbursements	$19,574.60	$1,614.36

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[1] Space-available Military Arilift Command (MAC) transportation for member only.

[2] Amount shown based on $60,000 selling prices; $70,000 purchase price—maximum reimbursements are $15,000 and $7,500 respectively.

[3] 20¢/mile employee and 3 dependents.

[4] 13¢/mile member; 7¢/mile spouse; 7¢/mile child over 12; 3.5¢/mile child between 2 and 12. Mileage reimbursement foir dependents is intended to cover food, lodging and incidental expenses.

[5] Enlisted member's $50 per diem reduced $4.87/day by Section 761 of FY84 Appropriation Act.

[6] Authorized in Military Pay Act of 1981, but no funds provided for implementation.

[7] $50 per diem rate employee; $25.00 per diem each dependent (rates estimated; GSA procedures forthcoming.

[8] $25 per diem employee; $12.50 per diem each dependent (rates estimated; GSA procedures forthcoming.

[9] An additional 60 days of Temporary Quarters Subsistence Expenses is authorized if approved by agency.

*P.L. 98-151 reimburses civilians for taxes on PCS reimbursements. Amount to be determined.

**Subject to taxation less expenses.

Note: It is not NMWA's intention to imply that civilian employees are receiving too much help with the cost of a move. The purpose of this comparison is to demonstrate the need for increased PCS reimbursements.

PREPARED STATEMENT BY ROBERT W. NOLAN, NATIONAL EXECUTIVE SECRETARY, FLEET RESERVE ASSOCIATION

INTRODUCTION

Mr. Chairman and members of this distinguished Committee, I am Robert W. Nolan, National Executive Secretary of the Fleet Reserve Association. The Fleet Reserve Association is a service organization comprised of enlisted personnel, active duty and retired of the Navy, Marine Corps and Coast Guard. It endeavors to convey the Sea Services enlisted personnels' view on pending personnel legislation to the U.S. Congress. As a retired Navy Chief Petty Officer, I consider it a distinct privilege to present the views of my 162,829 Shipmates on the personnel requests for fiscal year 1985 of the Department of the Navy.

PRESENTATION

Mr. Chairman, the 162,829 Shipmates of the Fleet Reserve Association have requested me to first express their sincere appreciation to you and your Committee for the vital role you have played, beginning with the Nunn-Warner Amendment in January 1980, in providing for the compensation needs of our active duty personnel.

The wisdom and success of your bold actions are attested to by the dramatic change in the quality and experience level of our personnel. Because of your initiatives the hemmorage of experienced petty officers has been staunched. That shortage decreased from 22,212 in 1981 to 9,286 in fiscal year 1983. The segment of the career enlisted force (those with over four years of active duty) increased by 8.3 percent between December 1980 and the end of fiscal year 1983. The number of new recruits with high school diplomas has increased from 75.8 percent to 91.1 percent in the same period. The percentage of new recruits scoring above average on the Armed Forces Qualifying Test rose from 64.5 percent in 1981 to 70.1 percent in 1983. These achievements are directly related to your Committee's improvements to military compensation and the quality of life for our personnel.

END STRENGTH REQUIREMENTS

Secretary of the Navy Lehman has testified the Navy will be adding about twenty ships per year until 1989. Obviously, with the growth to a 600-ship Navy, comes additional manpower requirements. The Navy is seeking in its fiscal year 1985 budget an increase in end strength of 10,500 for a total of 575,300 personnel. We understand that of the 10,500, 7,000 are slated as sea-duty billets and 2,000 are medical-related skills billets. In view of this, we believe the increase in manpower end-strength is a modest request.

The Fleet Reserve Association proposes that the mix of civilian and military Navy employees be looked at with the possibility of changing some civilian billets to military billets to achieve the end strength increase. It appears to the FRA the switch from civilian to military billets would ease the pressure on the Navy's vexing problem of rotation of personnel from sea to shore duty. Is it not strange that in recent years as the number of active ships has decreased dramatically, that the Navy's sea-to-shore rotations problems have increased? FRA believes this is largely due to the "civilianization" of military shore billets over the past decade and a half.

RECRUITING CHALLENGES

The Navy and Marine Corps are to be commended for meeting 100 percent of its numerical recruiting goals for several years. What is even more encouraging is that 90 percent of those recruited have been high school graduates. However, there are several factors directly impacting on future recruiting that present severe challenges to our recruiters:

The build-up to a 600-ship Navy will demand more personnel.

The nation's pool of military age manpower will continue to decline in the foreseeable future.

The nation's economy is improving and job opportunities for youths in the private sector will increase.

The number of high school graduates is declining as the competition from colleges increases even more.

With these major challenges facing us, it is certainly not the time to project the perception among military personnel that their compensation and benefits will be reduced and eroded. Also, it is not the time to reduce the Services' recruiting budgets. In recent years, the price of recruiting success has been the reduction of recruiting budgets. Such action is highly questionable in FY 1985 considering the severe challenges the Services face. FRA believes the authorization of any less recruiting funds than the sums the Navy and Marine Corps request, introduces a significant chance of having less than total success in 1985.

RETENTION SUCCESS

A Navy petty officer of Mrine non-commissioned officer is a two-fold expert. They are experienced in a trade or skill and experienced in military specialities. Therefore, the loss of a second class petty officer or Marine sergeant cannot be replaced by a new recruit. For this reason it is extremely important that retention of experienced personnel is vital to manning the Sea Services. Earlier in this statement, I cited the fact that the career enlisted force of the Navy increased by 8.3 percent between December 1980 and the end of fiscal year 1983. The Navy's retention success has dramatically increased to the point that current projections show the career force will be over 50 percent by FY 1985! Since December 1980, the E-5 to E-9 manning of our ships and aviation squadrons has increased 12 percent. In the Marine Corps, 179 of their 402 military skills were in a "critical status" at the end of FY 1981. That is, they were manned at less than 85 percent of requirement. The Marine Corps is predicting the 179 military skills will be reduced to 66 by the end of FY 1985.

The retention of trained, experienced personnel, particularly in critical skills, must be continued. Those in critical skills are in high demand by the civilian community, they cost twice as much to train as their counterparts in other skills; therefore, it is false economy to save money on personnel compensation and benefits only to spend more on recruiting and training and risk the readiness of the Sea Services in the bargain.

THE ENLISTED'S PERCEPTION OF COMPENSATION REDUCTIONS

Mr. Chairman, the Fleet Reserve Association serves as an accurate barometer of the Sea Services personnel's perceptions and reactions to Congressional action. The mail I received from my Shipmates in the late 1970s foretold of the personnel crisis the Services would endure. Our predictions were correct and the Congress finally took dramatic action to reverse the course of military compensation and benefits loss. As I have cited earlier, the situation has dramatically improved and we are on the threshold of achieving a skilled, experienced and dedicated stable force.

But in the past two years, in the name of economy, the Administration and some leaders in the Congress are reverting to the very courses of action that led to the military personnel crisis of 1978–79! Such actions as pay caps, the freezing of allowances and talk of reducing retirement benefits are being percieved by military personnel as a loss of commitment to maintain a military compensation system that is comparable and competitive with that in the private sector.

Military personnel understand that the Defense budget is comprised of authorizations and outlays. They know that when the Defense budget is cut, the Congress must reduce the outlays to achieve a true savings within the given year. They know from experience, that it is "people programs" which always absorb the outlay reductions! They question why the Defense budget is always the primary target of the budget cutters when it comprises only 25 percent of the total annual budget.

Our active duty personnel, for the second year in a row, have endured basic pay caps of four percent. During the same two years, the comparability standards used to estimate the pay increases to maintain comparability revealed that pay increases of an additional five to nine percent were necessary to maintain comparability. Because of the freeze in the Variable Housing Allowance, a second class petty officer or Marine sergeant reporting for duty in Washington, D.C. must absorb an amount equal to more than 30 percent of their Basic Allowance for Quarters out of their own pockets!

How can such inequities have anything but a negative effect on personnel recruiting and retention?

FRA'S RECOMMENDATIONS

Mr. Chairman, judging by the mail I receive from my active duty Shipmates, the following are the compensation topics about which they express the greatest concern: the G.I. Bill extension, the Variable Housing Allowance, Permanent Change of Station funding, basic pay increases and military retirement.

THE EXTENSION OF THE TERMINATION DATE FOR G.I. BILL BENEFITS

In 1965, the Fleet Reserve Association convinced the author of the Cold War G.I. Bill, U.S. Senator Ralph Yarborough of Texas, of the equity of having the termination date for educational benefits under the G.I. Bill law be set at ten years after a qualifying veteran's LAST discharge. The original Cold War G.I. Bill was enacted into law in 1966 with that provision. Thus, for the first time, the military careerist's education benefits under a G.I. Bill were protected.

In 1975, when the FRA appeared before Congressional Committees considering the termination of wartime education benefits of the G.I. Bill, it recommended the retention of that provision in the law. Needless to say, the 94th U.S. Congress did not heed our plea and P.L. 94-502 was enacted terminating all G.I. Bill benefits on 31 December 1989. Therefore, today, there are over 183,000 Navy members on active duty who are eligible for G.I. Bill education benefits. Of that number, 105,000 are in the critical retention window of seven to fourteen years of service. If these persons wish to avail themselves of their G.I. Bill benefits to gain a college education, they must leave the service by December 1985. While no one can predict with any measure of accuracy how many of the 183,000 will leave solely because of this issue, the Navy tells us that in the past two years, the loss of G.I. Bill benefits has jumped from the tenth to the fourth most important reason for leaving the Service!

Since the Department of Defense has agreed to fully funding the cost of G.I. Bill education benefits for career military personnel who have already earned this benefit by their Vietnam service, the FRA strongly urges the termination date of 31 December 1989, be extended up to ten years after the eligible members last discharge date.

THE VARIABLE HOUSING ALLOWANCE

The Variable Housing Allowance was intended to provide relief for military personnel living in high cost areas so they would have to pay no more out of pocket for housing costs than 15 percent of their Basic Allowance for Quarters. However, the VHA freeze of the past two years requires personnel to absorb an inordinate share of their housing costs. This out of pocket expense is currently running about thirty percent in excess of their BAQ.

Furthermore, the possibility of Basic Allowance for Quarters and the Variable Housing Allowance of becoming "defacto" taxed as a result of an Internal Revenue Services policy interpretation is a serious threat. The FRA strongly urges the Congress to amend current tax laws to protect the time honored tax-exempt status of housing allowances and prevent an indiscriminate reduction of regular military compensation for military homeowners.

PERMANENT CHANGE OF STATION MOVES

The Fleet Reserve Association appreciates the Congress' desire to reduce personnel costs. But please remember the Navy is a sea-going Service and to recruit, train, develop and retain the best fighting force possible, the movement of people is absolutely necessary.

The equitable rotation of personnel from sea to shore is mandatory if we are to maintain retention success. We have received letters from our members who have complained of excessively long sea tours because of the lack of PCS funds. The Navy informs us that in fiscal year 1983, they had to delay 16,800 PCS moves into FY 1984. This not only serves a hardship on those directly affected, but reduces the readiness of our Navy. We recommend approval of the Marine Corps and Navy's PCS funding requests.

FRA is also told by its members of their having to pay moving expenses out of pocket. This has been an age-old problem for military members, but in the past several years, we receive more and more complaints and letters on the matter. The FRA strongly recommends the full funding of Permanent Change of Station entitlements such as temporary lodging, and the increased Household Goods weight and monetary allowances in lieu of travel which were authorized in 1981 without funding.

BASIC PAY INCREASES

It appears to the FRA that military basic pay has become an "economic-political football" between the Administration and the Congress for the past couple of years:

In 1982, the Administration recommended an eight percent increase in military basic pay and the Congress capped the raise at four percent.

In 1983, the Administration recommended a federal pay freeze and the Congress enacted a three-and-a-half percent increase.

This year, the Administration has recommended a five-and-a-half percent increase for military and already there is talk of limiting the military to the three-and-a-half percent raise recommended for civilian federal employees.

This inconsistency merely fuels the fires of uncertainty in the minds of active duty personnel. Clearly, it is the wrong signal to send to our personnel.

OTHER FRA RECOMMENDATIONS

There are several key manpower programs for which the legislative authority is due to expire on 30 September 1984. To ensure continuance of these vital programs' effect on the Navy's and Marine Corps' recruiting and retention success, the FRA strongly endorses renewed authorization of:

Enlistment and reenlistment bonuses. These bonuses have clearly proven their cost-effectiveness in attracting and retaining personnel and the management of the personnel force.

Quarters reimbursement during overhaul. The authority to reimburse members for quarters when their ship becomes uninhabitable during overhaul and there are no other government quarters available was authorized through 30 September 1984. The justified need continues in the future, the FRA recommends this law be made a permanent provision of law.

The Fleet Reserve Association also supports the Navy's congressional support for the following legislative initiatives:

Career sea pay. Currently, the maximum level of sea pay is reached at the tenth to twelfth year of cumulative sea duty depending on an individual's pay grade. In order to maintain sea pay as an incentive for people in sea intensive ratings to remain at sea beyond ten years, legislation to increase sea pay rates for individuals with ten to twenty years of cumulative sea duty is being proposed.

Nuclear enlisted commissioning program (NECP). To assure a new high career continuation source of nuclear trained officers to make up U.S. Naval Academy shortages, to reduce reliance on the low continuation NUPOC source and to ensure accession requirements are achieved every year, legislation has been proposed for a Nuclear Enlisted Commissioning Program (NECP). NECP provides pay, allowances and a four-year college scholarship to top enlisted personnel leading to a commission and nuclear officer training. FRA is of the opinion that an NECP is vital to long term elimination of the nuclear officer community shortages.

Household goods weight allowance increases. This legislation would increase household goods weight allowances for pay grades E-7 and above. The increase would be made within the maximum 18,000 pound ceiling now prescribed for civilian federal employees. Many personnel are paying out of pocket for household good shipments in excess of the weight allowances now prescribed during government ordered moves.

Basic pay adjustment mechanism. The President's Military Manpower Task Force has endorsed linkage of military pay adjustments with the change in the Employment Cost Index (ECI). Adoption of the ECI will add a much needed element of stability to the military compensation system as it will establish a direct link to average blue collar wage growth in the country, where nearly seventy percent of the skills measured by the Index match military skills. It will provide equitable, acceptable treatment to both taxpayers and the military member.

CONCLUSION

Mr. Chairman, the Fleet Reserve Association fully supports its recommendations in this testimony. They were arrived at after careful consideration of the needs and views of our membership and keeping in mind the good of our nation.

We sincerely appreciate the opportunity to express these views today. That we can do so without fear is because of our representative form of government. That is one of the major reasons we devote a major portion of our adult lives in military service protecting our government. We thank the Committee for its past contributions to our welfare and ask them to give careful consideration to our testimony. On behalf of my 162,829 Shipmates and their families, I thank you sincerely.

PREPARED STATEMENT OF MAX J. BEILKE, LEGISLATIVE COUNSEL, THE NATIONAL ASSOCIATION FOR UNIFORMED SERVICES

Mr. Chairman and members of the subcommittee, I welcome the opportunity to present the views of the National Association for Uniformed Services to this distinguished panel.

The National Association for Uniformed Services (NAUS) is unique in that our membership represents all ranks of career and non-career service personnel and their wives and widows. Our membership includes active, retired, and reserve personnel of all seven uniformed services: Army, Navy, Air Force, Marines, Coast Guard, Public-Health Service, and the National Oceanic and Atmospheric Administration. With such a membership, we are able to draw information from a broad base for our legislative activities. The national association for Uniformed Services (NAUS) desires to bring to the attention of the distinguished members of this committee a matter of particular interest to military spouses. This matter is the calculation and application of the Social Security offset to the military Survivor Benefit Plan (SBP). PL 92-425 which established the military SBP followed congressional intent in that the SBP benefit would be integrated with Social Security survivor benefits based on the active military service of the deceased. However, the application of this integration is not in accordance with either the provisions of PL 92-425 or congressional intent. Currently, service finance centers are applying a full Social Security offset to SBP as if they were in receipt of Social Security survivor benefits. Congressional intent was for the SBP to be integrated with Social Security survivor benefits, not retirement benefits. Social Security survivor and retirement benefits are earned under different criteria and cannot be received concurrently. Inasmuch as the Social Security retirement benefit is by law, the priority benefit or first earned benefit, a Social Security survivor benefit is only payable by that amount, if any, which exceeds Social Security retirement benefits.

Statements or words to the effect that a widow's SBP will be offset by the equivalent amount of any Social Security payment attributable to her husband's military service is repeatedly emphasized in Congressional records and military publications. The fact that the offset to SBP is currently being applied when the beneficiary is not in receipt of a Social Security survivor's benefit based on active military service makes official military publications deceptive and erroneous.

Further, numerous official congressional and military records and publications state the Social Security benefits earned from non-military employment will not be included when calculating the SBP offset. This in reality is not the current practice.

S. 719 introduced by Senator Strom Thurmond which will eliminate the Social Security offset to SBP when the beneficiary is not in receipt of Social Security survivor's beneifts based on active military service is awaiting action by this distinguished committee. As an expedient to conserve committee time, effort and expenses, and to correct as quickly as possible the current misapplication of congressional intent, NAUS supports the inclusion of S. 719 as a provision of the FY 1985 Department of Defense Authorization Bill.

Each day of delay compounds and exacerbates an already aggravating and depression situation for many of our military widows.

Attached as an inclosure is a comprehensive study which applies the reasoning behind our support for S. 719 and its inclusion in the FY 1985 Department of Defense Authroization Bill.

[Enclosure.]

NATIONAL ASSOCIATION FOR UNIFORMED SERVICES,
Springfield, VA.

Memorandum for Record:
Subject: Social security offset to the military Survivor Benefit Plan

The National Association for Uniformed Services (NAUS) is of the opinion that the Social Security offset to the military Survivor Benefit Plan (SBP) as currently applied is not consistent with either Congressional intent nor the provisions of Title 10, USC.

A review of Congressional procedings is clear that the intent of the Social Security offset to SBP was for it to be based solely on benefits derived from a spouse's post-1956 military service. Support for this position is found throughout committee prints, reports, and testimonies. A few of these are extracted as follows:

a. House Armed Services Committee Report—No. 91-68, Inquiry into Survivor Benefits, dated October 1, 1970. Page 9519.

"The subcommittee's program would integrate the survivor benefits based on military retired pay with the survivor benefits now provided by Social Security.

"The program would operate as follows:

"At time of death of a member of the uniformed services, the widow at any age would get an annuity equal to a maximum of 55 percent of her husband's unreduced retired pay. When she reached age 62, the military retired pay portion of her annuity would be reduced by an amount equivalent to the payments she received under Social Security attributable to her husband's military service.

"It should be emphasized that the only Social Security payments which are taken into account here are those payments made to a widow based on her husband's Social Security earned while he was on active duty in military service. There is no reduction in other benefits that may have been earned as a result of her husband's employment in his post-retirement years or that the widow may have earned in her own right in private employment.

"The program has no effect on the Social Security payment the man himself receives while still alive or upon the 50 percent of his Social Security old-age payment which normally goes to a wife if the husband is still living. It would affect only the widow's annuity, which is normally 82.5 percent of the husband's Social Security retirement benefit."

b. House Armed Services Committee Report No. 92-22, Hearings on H.R. 984, July 29, and August 2, 1971. Statement of Major General Leo E. Benade, Deputy Assistant, Secretary of Defense for Military Personnel Policy, page 5761.

"The Administration's recommendation for Social Security offset is as follows:

"First, at spouse's age 62, the plan benefit should be reduced by one-half of the Social Security benefit attributable to uniformed service."

c. House of Representatives Report 92-481, Establishing a Survivor Benefit Plan for Members of the Armed Forces in Retirement and for Other Purposes, dated September 16, 1971. Page 14. "Integration with Social Security Benefits."

"As indicated earlier, the program created by the bill is designed to build upon the income-maintenance foundation of the Social Security system. Thus, the benefits are integrated with Social Security benefits.

"Section 1450 (a) of the bill provides, therefore, that when the widow reaches age 62, or when there are no dependent children, whichever occurs later, the monthly annuity paid under the Survivor Benefit Plan shall be reduced by an amount equal to the amount of Social Security survivor benefit, if any, to which the widow is entitled based solely upon the active military service of the retiree. (A widow's Social Security benefit is calculated at 82.5 percent of her husband's Primary Insurance Amount (PIA).)

"In other words, when the widow reaches age 62, her annuity based on her husband's military retired pay would be offset by the equivalent of the Social Security payment which is attributable to her husband's military service."

Page 15. "Integration and Real Income of Widow."

Several things should be clearly understood about this aspect of the program proposed in the Committee's bill:

"The program has no effect on the Social Security payments that the military retiree receives himself while still alive or upon the percentage of his Social Security (50 percent) which normally goes to a wife if the husband is still living. It would affect only the widow's annuity, which is normally 82.5 percent of the husband's Social Security retirement benefit.

"In terms of real income the widow will invariably gain at age 62, even with the integration of benefits, because the Social Security portion of her annuity is not taxable. She may, in addition, receive other advantages under the tax laws at age 62.

"There is no reduction in the Social Security benefits that may have been earned as the result of the husband's employment in his post-retirement years or any amount above the amount of the survivor benefit flowing from her husband's military service that the widow may have earned in her own right in private employment. It cannot be over-emphasized that the only Social Security payment which are taken into account in this integration of benefits are the payments to the widow based on her husband's Social Security earned while he was on active duty in military service."

d. Hearing before the Special Subcommittee on Survivor Benefits of the Committee on Armed Services, United States Senate on H.R. 10,670, dated August 8, 1982. Statement of Major General Leo E. Benade, Deputy Assistant Secretary of Defense for Military Personnel Policy, page 16.

"To a large extent, the member's attitude toward the plan will determine its effectiveness. Strong opposition to a full off-set could impair the plan in providing the benefit coverage to the survivors of members who need the coverage the most: The survivors of members in lower pay grades. Offsetting one-half of the Social Security survivor benefit at age 62 can be simply explained as recognizing the Government's contribution to Social Security while the member is on active duty. Any other Social Security benefit resulting from the member's contribution while on active duty or from the member's contribution while participating in nonmilitary employment and a nonmilitary employer's contribution would be in addition to the annuity from the military survivor benefit plan."

e. Committee on Armed Services, Senate Report 92-1089 to accompany S. 3305: Dated September 6, 1972. "Integration with Social Security Benefits," page 30.

"Section 1451(a) of the bill provides, therefore, that when the widow reaches age 62, or when there are no dependent children, whichever occurs later, the monthly annuity paid under the Survivor Benefit Plan shall be reduced by an amount equal to the amount of Social Security survivor benefit, if any, to which the widow is entitled based solely upon the active duty military service of the retiree. (A widow's Social Security benefit is calculated at 82.5 percent of her husband's Primary Insurance Amount (PIA).)

"In other words, when the widow reaches age 62, her annuity based on her husband's military retired pay would be offset by the equivalent of the Social Security payment which is attributable to her husband's military service."

"Calculation of Social Security Attributable to Active Military Service," page 30.

"The determination of the portion of the Social Security benefit to the widow at age 62 which is attributable to her husband's active military service assumes that the military retiree had no employment covered by Social Security subsequent to military service and that he lived to age 65. The Committee has chosen to use this formula for determining Social Security widow's benefits attributable to the spouse's military service to assure that military annuities will not be reduced because of Social Security earned outside government service and to assure that a widow will receive at least 55 percent of the man's military retired pay."

"Consideration of Social Security Earned Outside of Military Service," page 31.

"There is no reduction because of the Social Security benefits that may have been earned as the result of the husband's employment in his post-retirement years or any amount above the amount of the survivor benefit flowing from her husband's military service that the widow may have earned in her own right in private employment. It cannot be over-emphasized that the only Social Security payments which are taken into account in this integration of benefits are the payments to the widow based on her husband's Social Security earned as a result of active duty in military service."

A review of official military publications reveal declarations that the Social Security offset to SBP will be calculated solely on post-1956 military service. The fact that the Social Security offset is being applied even though the recipient is receiving a Social Security benefit not based on post-1956 military service makes the information in these official military publications misleading. To illustrate this point, excerpts from a few official military publications are as follows:

a. Department of Defense Pamphlet, PA-11c, Survivor Benefit Plan for the Uniformed Services, dated January 2, 1979, page 9.

"Because SBP and Social Security are both Federal programs and the government pays part of the cost of both, SBP and Social Security survivor payments are integrated. Payments to a surviving spouse will be offset by the amount of Social Security provided by the deceased retiree's active Federal service after December 31, 1956."

NAUS desires it be noted that when a widow is in receipt of Social Security retirement benefits based on her own non-government covered employment, the government has not paid a part of the cost. The widow and her employer shared the cost.

b. Army Regulation, 608-9, The Survivor Benefit Plan (SBP) dated August 1, 1983. Paragraphs 4-6, Social Security, subparagraph a(3)(a).

"The amount of Social Security benefit entitlement, if any, based on the retiree's active duty service after 31 December 1956."

Paragraphs 4-6, Social Security, subparagraph b(1).

"The Social Security payments based solely on the retiree's active military service earnings after 31 December 1956 is calculated in the same manner as is accomplished by the Social Security Administration (SSA) in determining benefit payments."

C. Department of Army Pamphlet 608-23, SBP Made Easy, dated August, 1983. Section IV, Social Security Entitlement, page 10.

"Why: The government, as the employer, contributes to the Social Security Fund for active duty personnel. Consequently, in enacting the SBP law, the Congress insisted that a widow's annuity be reduced or offset by the value of her husband's military-earned wage credits.

"How much: The amount a widow's SBP annuity is reduced depends on her husband's age and the active military service he performed after December 31, 1956. Social Security wage credits earned through civilian employment have nothing to do with the reduction. It is based only on the calculated value of military-earned wage credits."

A review of Social Security policy and procedures support the contention that the offset as currently applied in some cases to SBP is not based solely on post-1956 military service.

Under the Social Security law, retirement benefits take priority over widows benefits. This is important to understand because of its impact on the Social Security offset to SBP. Under Social Security, a person entitled to retirement benefits and to another higher benefit will receive his or her earned retirement benefit plus the difference between that benefit and the higher one. Example: Mrs. Jones is entitled to retirement insurance benefits of $200 and to a spouse's insurance benefit of $250. The total benefit payable is $250, consisting of the retirement benefit of $200 and a spouse's benefit of $50. If the retirement benefit exceeds the spouse's benefit, then only the retirement benefit is paid.

When this situation occurs, NAUS believes that for the military spouse who worked under Social Security covered employment, the offset to her SBP is not calculated in agreement with Congressional intent and could possibly be in violation of Title 10.

a. Example: Mrs. Brown is entitled to a retirement benefit of $200 and a survivor's benefit of $150 of which $50 is based on her late spouse's military service. The total benefit payable is $200 consisting of only her retirement benefit. Mrs. Brown suffers a $50 offset to her SBP, even though her Social Security benefit is not based on her spouse's military service.

b. Example: Mrs. Green is entitled to a retirement benefit of $125 and a survivor's benefit of $150 of which $50 is based on her late spouse's military service. Mrs. Green receives a total benefit of $150 consisting of $125 retirement benefit and a survivor's benefit of $25. Her SBP is offset $50 calculated on a benefit which in real terms only amounts to $25.

To more fully understand the relationship between retirement, spouse's and survivor's Social Security benefits, a review of these are in order.

1. RETIREMENT BENEFITS

a. Under Social Security law, a person must be insured before retirement, survivors, or disability insurance benefits can be paid to a person or to a person's family.

b. A person is fully insured if he or she has been credited with the required number of quarters of coverage.

c. A worker is entitled to retirement benefits if he or she has reached age 62 and is fully insured.

2. SPOUSES' BENEFITS

a. Spouse is entitled to spouse's benefits if the worker is entitled to retirement benefits.

b. A spouse is not entitled to a spouse's benefit if entitled to a retirement benefit based on a primary insurance amount (PIA) equal to or larger than one-half of the worker's PIA.

C. A spouse's benefit terminates upon the death of the insured worker.

3. SURVIVORS' BENEFITS

a. When an insured worker dies, benefits may be paid to eligible survivors.

b. A widow is entitled to widow's benefits on worker's Social Security record if the worker was fully insured at time of death.

c. A widow is not entitled to widow's benefits if entitled to a retirement benefit that is equal to or larger than the worker's primary insurance amount.

d. A widow's benefit is equal to 100 percent of the deceased worker's primary insurance amount. However, the widow's benefits actually payable may be less if the widow is entitled to a smaller retirement amount. Only the difference between the larger widow's benefit and the retirement benefit is payable as the widow's benefit.

e. Widow's benefits terminate upon death, or when the widow becomes entitled to a retirement benefit which is as large as or larger than the worker's primary insurance amount.

In 1981, the Congressional Budget Office (CBO) analyzed the SBP and published their finding in a Staff Working Paper, dated March 1981. In that report, CBO estimated that elimination of the offset as proposed at that time by S. 91, now proposed by H.R. 1376 and S. 719, would amount to an increase in net costs of $240 million for the years 1981 to 2000. The bases for this estimated outlay was defined on page 49.

"Career widows: Some alternatives in the study that widows entitled to Social Security payments based on their own incomes would be exempt from any Social Security offsets. The fraction of widows affected by this provision is difficult to estimate, since it depends on patterns of earnings by husbands and wives both over the last several decades and, for current and future retirees, over the next several decades. It also depends on maximum earnings subject to Social Security, since this influences the pattern of husband and wife earnings covered by Social Security. CBO had little data to use in making this estimate. But a 1976 survey of DOD personnel, which asked spouse earnings, suggested that only a few military spouses earned more than their husbands during that year. Extrapolating courageously from this highly limited bit of information. CBO assumed that 5 percent of all spouses would be entitled to Social Security based on their own earnings and would avoid any offsets under this provision. Multiplication of the 5 percent times estimated offsets yields the CBO estimate for this provision."

While this outlay may cause some to oppose favorable consideration of H.R. 1376, and S. 719, a review of calculations on cost projections for SBP contained in the Department of Defense 1979 Study of SBP are in order. Pertinent extracted portions of that study are attached as Inclosure 1.

It should also be noted that in its study the DOD posed no objection to eliminating the offset when a widow is in receipt of Social Security retirement benefits.

Support for the elimination of the Social Security offset is not new. The Defense Manpower Commission's Report (April 1976) to the President and the Congress recommended the offset be eliminated. This recommendation is outlined on page 366.

"The Commission concludes that:

"The inherent inequities of Social Security offsets make the existing Social Security offset provision in the Survivor's Benefit Plan contrary to the proper objectives of such a plan. That provision should therefore be repealed."

Support is also outlined on page 7 of House of Representatives Report 94-1458, Part 1, Making Improvements to the Survivor Benefit Program for Retired Military Personnel (to accompany H.R. 14,773) dated September 1, 1976.

"Elimination of the Social Security offset when the spouse beneficiary is not receiving Social Security benefits based on the deceased retiree's military service.

"The Survivor Benefit Plan currently requires an offset or reduction in payments under the Survivor Benefit Plan when the spouse beneficiary attains age 62 even though the beneficiary is not receiving a Social Security benefit because of employment, deferral to age 65 to receive 100 percent of husband's benefits, or because of entitlement to a greater Social Security benefit based on her own employment. The Committee concluded that to require a reduction under those circumstances when in fact there is no Social Security payable because of the deceased retiree's military service was inequitable and unwarranted.

"H.R. 14,773 eliminates the offset when the widow is not receiving a Social Security benefit based in whole or in part on her husband's military service."

H.R. 14,773 was favorably considered by the House of Representatives on September 30, 1976 by a vote of 379-6.

Less than one year later this support was reaffirmed on page 4 of House of Representative's Report 95-72, Making Improvements in the Survivor Benefit Program for Retired Military Personnel (to accompany H.R. 3702) dated March 14, 1977.

"Elimination of the Social Security offset when the spouse beneficiary is not receiving Social Security benefits based on the deceased retiree's military service.

"The Survivor Benefit Plan currently requires an offset or reduction in payments under the plan when the spouse beneficiary attains age 62 even through the beneficiary is not receiving a Social Security benefit because of her employment, or deferral to age 65 to receive 100 percent of the retiree's benefits, or because of entitlement to a greater Social Security benefit based on her own employment. The committee concluded that to require a reduction under those circumstances when, in fact, there is no Social Security payable because of the deceased retiree's military service, is inequitable and unwarranted.

"H.R. 3702 eliminates the offset when the widow is not receiving a Social Security benefit based in whole or in part on her husband's military service."

H.R. 3702 was favorably considered by the House of Representatives on September 12, 1977 by a vote of 391-0.

In view of favorable consideration on this subject by the House of Representatives on two separate occasions, the question must be raised as to why the Senate has not followed the House's leadership. The answer to this question is found in Senate Reports 94-1328 and 95-1138.

Senate Report 94-1328, Making Improvements in the Survivor Benefit Program for Retired Military Personnel (to accompany H.R. 14,773), dated September 24, 1976. Page 3, explains the Senate Armed Services Committee's position.

"Provisions in the House Bill not in Committee version.

"The House added a number of provisions which were not included in the committee version:

"(1) Cost of living adjustments for Retired Serviceman's Family Protection Plan annuitants;

"(2) Reduction in the so-called "Social Security offset" from 100 percent to 50 percent which is made under the military Survivor Benefit Program;

"(3) A number of other provisions relating to the "Social Security offset" when the beneficiary is not receiving Social Security benefits based on her husband's military service, when there is a dependent child, and when Reservists serve for periods of active duty of less than 30 continuous days;

"(4) Reinstatement of Survivor Benefit Program payments to widows whose Dependency and Indemnity Compensation benefits are terminated on remarriage after age 60.

"Committee Comment on Omitted House Provisions.

"Due to the shortness of time, hearings were not possible on the various omitted House provisions. Therefore, the committee omits these provisions without prejudice."

Page 7 of Senate Report 95-1138, Making Improvements in the Survivor Benefit Program for retired Military Personnel (to accompany H.R. 3702) outlines the provision of H.R. 3702 passed by the House of Representatives but not accepted by the Senate Armed Services Committee.

"Elimination of offset for widows or widowers collecting Social Security on their earnings.

"The current survivor benefit plan requires an offset in the surviving spouse's annuity at age 62 even though he or she may be receiving Social Security benefits based on his or her own earnings and not on the basis of the deceased retiree's military service. The committee did not approve this provision and recommends that the Department of Defense develop more reliable cost data on this provision."

In 1980, the Senate Armed Services Committee considered S. 91 which recommended several changes to SBP. One of the provisions of S. 91 was the elimination of the Social Security offset when the widow is receiving Social Security benefits based on his or her own earnings.

The committee however deleted this provision from the bill. It should be noted that the Department of Defense supported elimination of this offset. The committee had been made aware of this support in an October 17, 1979 letter from the General Counsel of the Department of Defense to Senator Stennis, Chairman of the Senate Armed Services Committee. An extract of this letter which appeared in Senate Report 96-748, Changes to the Survivor Benefit Program for Retired Military Personnel (to accompany S. 91) dated May 15, 1980 follows:

"Elimination of the Social Security offset when the widow is receiving Social Security benefits based on his or her own earnings.

"Under the construct of the current Survivor Benefit Plan, an offset of Social Security benefits, based solely on the member-spouse's military service is required based on the resident "entitlement" to that benefit. The offset is applied to the military survivor annuity at the surviving spouse's age 62. There is no consideration of the fact that the surviving spouse may be eligible for Social Security benefits based on his or her own earnings, or whether the surviving spouse has delayed receipt of such benefits until age 65. The off-set is applied to the military survivor annuity when the survivor reaches age 62 by an amount that is 82.9 percent of the Social Security benefit derived from the covered earnings of the member-spouse's military service, assuming the member was age 65 at death. S. 91 would eliminate this offset when the Social Security benefit received is not based on the member's service.

"An increasing number of spouses have wages that are covered by Social Security. Depending on the wage levels and the number of covered income producing years, the spouse's wages may have no Social Security benefit value unless they produce a benefit level exceeding that to which the member-spouse's covered earnings would produce. When the surviving spouse's income pattern yields a Social Security benefit level that exceed the member-spouse's the member's wages have no benefit value for Social Security benefits to the surviving spouse. When this occurs, any future Social Security benefits would be based entirely on the covered wages of the surviving spouse. The amount of the benefit resulting from the surviving spouse's covered wages would be calculated in exactly the same manner as that for any other wage earner. Providing a Social Security benefit "floor" based on the member-spouse's earnings, ensures that the surviving spouse would receive no less than that amount. The surviving spouse would receive the greater benefit derived from the earnings of the deceased spouse of his or her own covered earnings.

"The Department of Defense supports this feature of the bill. The estimated cost projections are as follows after the first full year implementation:"

	Fiscal year—				
	1981	1982	1983	1984	1985
Number affected	552	673	819	996	1,197
Net Disbursement:					
In millions of dollars	0.5	0.7	1.7	1.4	1.9
In millions of 1979 constant dollars	0.4	0.6	0.7	1.0	1.3

Under the following four circumstancses, NAUS believes that the Social Security offset to SBP as currently enforced is not in accordance with congressional intent and could possibly be in violation of the provision of Title 10, USC.

1. Widows who do not receive or receive reduced Social Security widow's benefits because of receipt of Social Security retirement benefits have their SBP offset as if they were receiving full Social Security widow's benefits.
2. SBP widows who do not receive or receive reduced Social Security widow's benefits because of receipt of a federal, state, or local government pension have their SBP offset as if they were receiving full Social Security widow's benefits.
3. SBP widows who do not recieve Social Security widow's benefits because they are a non-citizen and live outside the U.S. for 6 months or more have their SBP offset as if they were receiving full Social Security widow's benefits.
4. SBP widows who do not receive Social Security widow's benefits based on a military deceased spouse because of receipt of Social Security spouse's or widow's benefits based on work record of a second spouse through remarriage, have their SBP offset as if they were receiving benefits based on their deceased military spouse's military service.

Therefore, in conclusion, NAUS supports legislation to eliminate the Social Security offset to SBP when the beneficiary is in receipt of benefits not based on post-1956 military service.

Enclosure-Extract of DOD Study

DOD, STUDY OF THE SURVIVOR BENEFIT PLAN FOR MEMBERS OF THE UNIFORMED SERVICES, FEBRUARY 1, 1979

Page 2-16: Since 1972, the member-participant has been assuming a greater percentage of the costs than originally planned. With the passage of time, the member contributions completely subsidize the outlays under the Plan with the government assuming a rapidly declining portion of the costs. While advantageous to the government, the actual situation has deviated from the intended member-government cost sharing ratio against which the Plan was designed.

Page 2-18: Under the cost-sharing feature of the current Plan, it was intended that the government would assume approximately 40 percent of annuity costs to which a survivor was entitled. The 40 percent figure corresponded to the cost factor assumed by the government under the survivor program for Federal civil servants. It could be presumed that this cost ratio should be maintained for the present and the future. With the integration of social security which has undergone substantial change, however, the ration has been significantly altered. Members are presently assuming greater percentages of the costs and for the future could be completely subsidizing the entire program through their reductions in military retired pay and the offset of social security benefits. This was not the intent of the cost-sharing feature as originally enacted.

Page 2-19: As a matter of policy, the Department of Defense believes that survivor protection should continue to be provided on a cost-sharing basis and that the basis be maintained in a consistent manner. The cost to the government should be recognized as an integral constant part of the total retirement system cost.

Page 3-12R: The cost projections for members and the Government are displayed in the following table. Aggregate costs to members are shown as reductions to retired pay. The Government's cost is the net disbursement after benefit payouts. For the entire period examined, the Government will avoid costs since retired pay deductions exceed benefit payouts. We estimate that this imbalance will diminish through 1993 and then will begin to increase throughout the remaining years included in this study.

COST PROJECTIONS [1] FOR SBP (55% PARTICIPATION) [2]

[In millions]

Fiscal year	Reductions to retired pay of members	Benefit payouts	Net disbursement
1979 [3]	$345.4	$159.3	−$186.1
1980 [3]	373.7	201.8	−171.9
1981	379.2	209.1	−170.2
1982	409.4	242.2	−167.2
1983	440.3	276.3	−164.0
1984	471.2	311.5	−159.7
1985	502.3	348.0	−154.3
1986	534.0	385.1	−148.8
1987	566.6	422.3	−144.3
1988	601.2	461.4	−139.8
1989	638.9	502.3	−136.6
1990	679.9	544.2	−135.7
1991	719.3	588.4	−130.9
1992	763.2	634.2	−129.1
1993	809.0	680.2	−128.8
1994	856.8	724.0	−132.8
1995	906.6	764.3	−142.3
1996	958.6	803.9	−154.8
1997	1,013.0	844.6	−168.4
1998	1,070.0	887.0	−183.0
1999	1,129.6	933.6	−196.1
2000	1,192.3	977.9	−214.4
2010	2,044.8	1,514.6	−530.2
2025	4,709.1	3,532.7	−1,176.4
2035	8,207.5	6,701.3	−1,506.2

[1] The projections use 4% inflation for retired pay growth and social security benefit increase. Active dutypay growth of 5.56% was assumed. The assumptions are outlined in OMB Circular A-76. Participation of future retirees was assumed to be 55 percent.

[2] Includes 100% social security offset provisions.

[3] Budget estimates.

ELIMINATION OF THE SOCIAL SECURITY OFFSET WHEN THE WIDOW IS RECEIVING SOCIAL SECURITY BENEFITS BASED ON HIS OR HER OWN EARNINGS

Under the construct of the current Survivor Benefit Plan, an offset of social security benefits, based solely on the member-spouse's military service is required based on the resident "entitlement" to that benefit. It makes no difference whether the surviving spouse is in actual receipt of those benefits—The offset is applied to the military survivor annuity at the surviving-spouses's age 62. There is no consideration of the fact that the surviving spouse may be eligible for social security benefits based on his or her own earnings, or whether the surviving spouse has delayed receipt of such benefits until age 65. The offset is applied to the military survivor annuity when the survivor reaches age 62 by an amount that is 82.9 percent of the social security benefit derived from the covered earnings of the member-spouse's military service, assuming the member was age 65 at death.

In today's cultural environment, an increasing number of spouses have wages that are covered by social security. Depending on the wage levels and the number of covered income producing years, the spouse's wages may have no social security benefit value unless they produce a benefit level exceeding that to which the member-spouse's covered earnings would produce. When the surviving spouse's income pattern yields a social security benefit level that exceed the member spouse's, the member's wages have no benefit value for social security benefits to the surviving spouse. When this occurs, any future social security benefit would be based entirely on the covered wages of the surviving spouse. The amount of the benefit resulting from the surviving spouse's covered wages would be calculated in exactly the same manner as that for any other wage earner. Past wages would be indexed to determine the average indexed monthly wage which would, in turn, yield a benefit through the primary insurance amount formula. Providing a social security benefit "floor" based on the member-spouse's earnings, ensures that the surviving spouse would receive no less than that amount. The surviving spouse would receive the greater benefit derived from the earnings of the deceased spouse or his or her own covered earnings.

It is interesting to note that in instances where the surviving spouse's social security benefits derive from his or her own covered earnings, the social security tax paid by the military member and the Department of Defense have no relevance to the spouse's social security benefit. The surviving spouse's received benefit results from his or her own covered earnings independent of that of the member-spouse, other than for comparative purposes to determine which covered earnings level would yield the greater benefit. Under these circumstances, the surviving spouse and his or her employer have paid the social security tax based on his or her covered earnings. Consequently, the taxes paid by the member-spouse and the Department of Defense do not correlate to the surviving spouse's benefit and cannot be considered as a tax liability on the member or the Department. It also has no impact on the government tax contribution for those wages upon which the offset calculation is based. Such a premise lends credence to the logic for eliminating the social security offset from the survivor annuity when the widow or widower is receiving social security benefits based entirely on his or her own earnings.

Previous legislation has proposed that the offset to the military survivor annuity be eliminated when the surviving spouse is receiving social security benefits based on his or her own earnings. Such a proposal has been reported favorably by the House Committee on Armed Services and has been passed twice by the full House. The Department of Defense deferred taking a position on this matter during the previous considerations. Although this feature was twice passed by the House, the Senate has deferred action without prejudice in order to hold hearings and to obtain substantive data. However, a partial step was taken in this feature with the passage of H.R. 3702; enacted as Public Law 95-397. That law eliminated the social security offset under the Survivor Benefit Plan for working widows or widowers. Senate Report No. 95-1138, 95th Congress, to accompany H.R. 3702, described this amendment as follows:

"The Committee bill would eliminate the offset of social security under the Survivor Benefit Plan where the widow or widower works and thereby does not receive all or a portion of their social security payments. The Committee bill provides that a working widow or widower shall not be considered entitled to a social security benefit to the extent that such benefit has been offset by deductions or account of work. The Committee intends that a working widow or widower will only have an offset of the Survivor Benefit Plan annuity to the extent that the full social security annuity is reducing by working. For example, if a widow or widower were to lose 80 percent of the full social security benefit (the amount that would be received if he or she did not work) as a result of wages or salaries earned, then the widow or widower would receive an offset in the Survivor Benefit Plan annuity of 20 percent of the amount determined to be attributable to her husband's military service, or stated differently, 20 percent of the amount that would be offset if he or she did not work."

In order to have a more definitive basis upon which to consider this matter, the Senate Committee on Armed Services has requested additional data. The following has been developed in response to that request:

COST PROJECTIONS [1] FOR SURVIVOR BENEFIT PLAN ELIMINATION OF SOCIAL SECURITY OFFSET SOCIAL SECURITY BASED ON SURVIVOR'S EARNINGS

[Dollar amounts in millions]

	Number affected	Net disbursement
Fiscal year:		
1980	631	$0.9
1981	796	1.3
1982	988	1.9
1983	1,206	2.6
1984	1,451	3.4
1985	1,721	4.4
1986	2,020	5.6
1987	2,352	7.1
1988	2,701	8.7
1989	3,065	10.6
1990	3,449	12.8
1991	3,833	15.2
1992	4,226	18.0
1993	4,640	21.0
1994	5,094	24.6
1995	5,591	28.7
1996	6,101	33.2
1997	6,607	38.1
1998	7,106	43.4
1999	7,585	48.9
2000	8,067	54.9
2010	11,762	131.5
2025	13,449	299.3
2035	14,547	511.1

[1] The projections use 4 percent inflation for retired pay growth and social security benefit increase. Active duty pay growth of 5.56 percent was assumed. The assumptions are outlined in OMB Circular A-76. Participation of future retirees was assumed to be 55 percent.

PREPARED STATEMENT BY CAPT. JOHN C. RICE, JR., U.S. NAVAL RESERVE, NATIONAL PRESIDENT OF THE NAVAL RESERVE ASSOCIATION

Mr. Chairman, Committee members, I appreciate very much the opportunity to provide testimony for consideration of the Committee. We have always felt very close to this Committee, particularly, back when there was a concerted effort by OSD to emasculate the Naval Reserve. We sincerely believe that there is still a Naval Reserve today because of the help we received from members of the Senate and House, many of whom serve or have served on this Committee. We solicit your continued support for the Naval Reserve.

My testimony today will focus on the present, future and potential contribution of the Naval Reseve to the total Navy structure with considerable emphasis on what is required to improve and increase that contribution.

The Naval Reserve Association looks to the coming year with considerable optimism tempered by the knowledge that history often shows that unbridled enthusiasm and euphoria of the moment can vanish like a puff of smoke.

Congressional leaders have demonstrated their intention to hold the Services' feet to the fire in addressing the active/reserve mix in ths so called "Total Force". Secretary Lehman and Admiral Watkins have given strong backing to the Naval Reserve. However, the Bureaucracy has a long tail and the fulfillment of any idea is sometimes a long while arriving. An example can be found in last years' budget. Of the approximately one billion dollars added to the President's request for Guard and Reserve Equipment, less than $30.0 million was added to the Naval Reserve. It is quite obvious then that the Naval Reserve is overdue for some infusion of funds, particularly for equipment procurement, from the Congress. Although the Navy certainly appears to be at work on the effort to modernize the Naval Reserve in the out years, the Naval Reserve Association believes that time for positive action is now.

Secretary John Leham in his FY 1985 Posture Statement remarked that, "... The Reorganization of the Naval Reserve to a "Horizontal integration" has had the effect of shifting a substantial portion of our force structure manning to the ready reserve ..." The Secretary when on to cite in various portions of his statement what is being done now and what is planned in the future for the Naval Reserve: Thirty five ships of the 600 ship Navy; A Reserve Air Wing for the 15th Carrier and the other to the Carrier undergoing Service Life Extension; modern A-7E, E-2C, F-14A and SH-2F aircraft into reserve units this year; increase of two FF/FFGs to the Naval Reserve making a total of 26 of the two classes. He went on to state that, "... the Reserves must provide immediate augmentation to the active force in time of emergency across the entire spectrum of warfare ... there should be a parallel spectrum of new and old equipment in the Reserves in the same proportion as in the active force ..."

Both the SECNAV and CNO praised the Naval Reservists who volunteered to relieve the sailors abroad USS *New Jersey* off Lebanon so the active duty crew members could take Christman leave. More than 650 Reservists volunteered, 135 of which were recalled. Admiral Watkins stated, "... The patriotism and dedication exhibited by the crew of the *New Jersey* and those reservists who volunteered ... is heartwarming. We should never forget that they are serving their country with the most previous assets they possess—their time and their lives ..."

Admiral Watkins made a point in his testimony that, "... reserve forces must be availbale at the proper time ... (possibly) prior to mobilization during a period of prehostility ..." He gave as an example, the Naval Reserve Cargo Handling and Construction Forces but he could have cited many other types units such as the VP squadrons, the Carrier Air Wing, the Mine Sweepers, Naval Intelligence, CINC and CNO Command Centers, etc. The CNO made a very important point when he wrote, "... If these or any similar forces assigned to the Naval Reserve were not available when required prior to hostilities, it could seriously impact our overall capability ..."

NRA has recommended for years that the President's authority to recall 100,000 reservists for up to 90 days be changed to allow for a longer period of recall, preferably 270 days but at least for 180 days. If the Services cannot count on using the Guard and Reserve in less than an all out mobilization effort, they obviously cannot consider using the Reserve Component personnel in many of the mission areas.

NRA continues to believe that the Guard and Reserve, *properly supported*, is the best buy in Defense today. Any mission or task cannot be accomplished by the Guard and Reserve should then be assigned to the active force. Like zero-based budgeting, mission planning should start with the basics when considering whether reserves or active forces should be assigned. Secretary Lehman makes a point that, "... the heavy schedule of peacetime forward deployments ... must be understood when considering reserve/active force ratios ..." NRA understands and appreciates this very vital consideration, but it should also be understood that there are many missions which are not affected by this premise and that other deployment practices should be considered both at Navy Department and National Security Council levels which could alleviate some of the deployment problems. Some of these considerations are addressed in the Naval Reserve Missions portion of the study.

The issues which will be addressed today include the following:
Naval Reserve Strength;
Active Duty for Training for members of the Volunteer Training Units;
(VTU's) in Category "D";
Special Incentive Pay for NRF Enlisted;
A Reservist as Chief of Naval Reserve;
Exchange and Commissary Benefits;
ROPMA Update; and
Naval Reserve Missions.

NAVAL RESERVE STRENGTH

The Navy has addressed the relationship between average Naval Reserve Personnel strengths and NAMMOS requirements this year in its budget request and the Five Year Defense Plan (FYDP). The Navy Manpower Mobilization System, (NAMMOS), numbers keep rising as more and more managers realize the ramifications of a mobilization situation on their total force planning. The Navy plans to reach the NAMMOS numbers by the end of fiscal year 1987. This is the first time in nine years that the Naval Reserve Association has not pressed for an increase in the Navy Selected Reserve. Although we would like to set higher goals for the increasing strength plan, the Navy plan to reach the NAMMOS requirement in fiscal year 1987 may be the best they can do under the increasingly difficult recruiting conditions. Since Navy is hiring a significant number of additional recruiters we have decided to adopt a "wait and see" posture for this legislative session. We still have concerns, as we will state later, on bringing in such large numbers of Sea Air Mariners (SAMs) particularly in the Surface Reserve Program where the training facilites are not reaily available. The Chief of Naval Operations has directed a funded average strength level which will ramp-up to the NAMMOS requirements, as mentioned earlier, by end of fiscal year 1988. NRA fully supports the additional Recruiting strength which the Navy is attempting to provide the Naval Reserve Recruiting effort by reprogramming funds in fiscal year 1984 for the increase of 250 TEMAC recruiters and their support. The reprogramming is in the amount of $16.8 million. The FY 1985 budget provides for 261 additonal TEMAC recruiters.

The recruiting results for both the Reserve and active Navy have fallen off considerably in this fiscal year, undoubtedly due to the improved economic situation. The increased recruiting effort, had it commenced two years ago, would most likely have filled the reserve personnel coffers before the effects of the economic recovery were readily apparent, but hindsight is just as effective as Monday morning quarterbacking. NRA appreciates the fact that NAMMOS requirements are acknowledged as legitimate mobilization needs by the Navy and are continually updated. The ongoing review has resulted in considerable increases in the NAMMOS in the past several years, so much so that several managers have commented that the actual on board Naval Reserve numbers may never catch up with NAMMOS. With the ever increasing emphasis from Congress, the Navy has formed a Total Force active/reserve mix study group. This group has taken an intensive, although hurried, look at many of the possible mission areas which could use more Reserve augmentation or be transferred to the Naval Reserve outright. The effort has the personal involvement of Secretary Lehman and Admiral Watkins. Such an effort cannot help but add to the evolving NAMMOS increases. Because the active/reserve mix study effort was concentrated in such a short time frame, as a result of Congressional pressure, NRA hopes that a permanent group will be formed in the Navy to review the active/reserve mix in a professional, unbiased manner on a timely basis. Obviously, many of the ideas for increased Naval Reserve participation could not be evaluated adequately or fairly in the short time the total force mix groups had to answer the Congressional mail. NRA looks to considerable increases in the Naval Reserve over the years provided the strong emphasis on the recruiting effort is kept in place to fill the Reserve portion of the mix.

The efforts by the Navy to reach funded strengths have, in the past, been somewhat belated and half-hearted. Recruiting practices, pessimistic outlooks, funding practices and the lack of a good demographic study of the Naval Reserve population, combined to keep the on-board numbers from approaching NAMMOS requirements. NRA hopes, that, with the hiring of new recruiters and a positive approach to Naval Reserve recruiting, that the Navy will ask Congress for supplemental funding, when needed, for increased Naval Reserve strength to reach the NAMMOS requirements that much sooner. The fact that the authorization level reflects a floor rather than a ceiling means that the strength is a reflection of funding and recruiting limitations. The NAMMOS should keep increasing as new or expanded roles are assigned to the Naval Reserve, consequently, it is important to put a high priority on the recruiting effort for the Naval Reserve.

The press releases made by the Office of the Secretary of Defense (OSD) for the fiscal year 1985 budget proposed listed all the Reserve Components by end strength rather than the average strength figure which Congress uses in the authorization bill. The use of the End Strength tables is a not so subtle way of showing larger increases of Guard and Reserve personnel in the Total Force than that shown in previous years using the average strength numbers. NRA believes the Congress should insist that Guard/Reserve strength figures distributed by OSD reflect the average strength of those components and that they not include the active duty support personnel (TARS-265,etc.).

VOLUNTEER TRAINING UNITS/CATEGORY "D" PERSONNEL

This is a carry-over issue from last year. NRA attempted unsuccessfully to convince Congress to add $2.5 million and increase the Active Duty for Training (ACDUTRA) periods allocated for Category "D" personnel from one/third to one-half of those Naval Reservists eligible to practicpate in the program. This year NRA requests an additional $2.0 million to fund the program to the 71% level.

The volunteer Training Units are composed of highly qualified professionals who drill without pay and who require two weeks ACDUTRA a year to maintain their Navy skills. The various Chiefs of Naval Reserve have, over the years, attempted to support annual ACDUTRA for all personnel, however, as a result of old biases on the part of OSD and OMB (Office of Management and Budget) analysts, the Navy funding for the category "D" personnel has been cut each year. The Navy proposal for FY 1985 was to fund 71% of the Category "D" Naval Reservists who were eligible for ACDUTRA, and required for mobilization. However, in the budget review, the amount allocated for that purpose was cut to a 50% participation rate. The Naval Reserve Association and the Chief of Naval Reserve believe strongly that more funds are needed to support the very valuable mobilization asset represented by this group.

The genesis of the Navy's lack of success goes back to the late 1960s when an OMB budget analyst discovered that some senior Naval Reservists, who were not mobilization assets, were receiving ACDUTRA orders. He forced a drastic cut in the whole program, in effect throwing the baby out with the bath water. The stigma has persisted until today.

The chart, (Facts—Naval Reserve Strength), attached as Appendix A shows the Naval Reserve NAMMOS strength requirements and Navy's plan for strength increases and has a figure at the bottom of the chart which totals all the Navy mobilization augmentation requirements. This will be filled (if it becomes necessary to mobilize) by individuals not on active duty—the Selected Reserve, Individual Ready Reserve, Fleet Reserve, Retireds (active and Reserve), etc. The Navy Volunteer Training Unit (VTU) Personnel are included in this figure and are in the M+1 and M+2 category, in other words they are required to mobilize 30-60 days after mobilization day. The other Reserve Components have Selected Reservists who fall into the M+6 category, yet the Navy is unable to fund an M+1 or M+2 category individual for two weeks ACDUTRA a year. It seems to NRA, that the Naval Reservists have suffered enough for a sin committed over 15 years ago.

Recommendation

The Naval Reserve Association recommends that Congress support an ACDUTRA period (with pay) increase in the Naval Reserve from a funding level of 50% of those eligible in the Category "D", Volunteer Training Units, in FY 1985, to 71% of those eligible at an additional cost of $2.0 million.

SELECTED RESERVE UNIT INCENTIVE PAY

The Naval Reserve Association strongly supports the proposed legislation to provide incentive pay of up to $10 per drill for Selected Reserve enlisted personnel who voluntarily affiliate and train with high priority units designated by the Secretary of the military department.

The proposal was initiated by the Navy to improve the manning of the NRF ships. The Selected Reserve Personnel who man the ships often spend 44 hours or more at sea or a weekend training undergoing rigorous training in addition to the required watch standing duties. This compares with a more normal drill time of 16 hours for weekend drills. A National Defense University study indicated that an extra $10 per drill incentive would improve drill attendance with the resultant increase in NRF ship readiness and sustainability.

With the increasing numbers of ships entering the Naval Reserve, passage of such legislation could help significantly to man the ships or other high priority units and pay high returns for relatively low costs. Other services could also avail themselves of this incentive.

Cost projections are only for personnel manning Naval Reserve ships and are as follows:

[Millions of dollars]

Fiscal year:	
1985	$1.056
1986	1.199
1987	1.355
1988	1.601

(Payment would be made subsequent to the drill period.)

Recommendation

The Naval Reserve Association strongly urges the Congress to enact the Legislative Proposal by the Navy "To Amend Title 37, United States Code, to authorize the payment of an incentive pay to enlisted personnel of the Selected Reserve who participate in certain units as designated by the Secretary of a military department".

A copy of the proposed legislation is attached as Appendix B.

CHIEF, NAVAL RESERVE/NAVAL RESERVE FORCES

This proposed change has been recommended by the Naval Reserve Association for many years. The proposal does not at all reflect on the performance of the current Chief of Naval Reserve. NRA believes that the most effective organization for the Naval Reserve would be one which is structured with Reservists at the top management positions, much like most of the other Reserve Components. Reservists managing Reserve matters not only sounds logical but has proven effective in the Reserve Components which are so organized under Title 10 U.S. Code. Necessarily included in this proposal are the tools with which the Naval Reserve Chief can accomplish his tasks. It cannot be a sinecure position and function with any degree of effectiveness.

The NRA, therefore, supports legislative initiative to provide for a Reserve flag officer, either Selected Reserve, TAR or 265, to serve a four-year assignment as Chief, Naval Reserve/Naval Reserve Forces (CNAVRES/CNFR). Additionally, two (2), Deputy Chief positions, one each for surface and air, should be filled by Reserve flag officers. The assignment of reserve flag officers to the highest leadership positions in the Naval Reserve will provide the Naval Reserve Force with the maximum Reserve expertise and understanding of Reserve management problems. The Staffs of the Chief of Naval Reserve/Naval Reserve Forces should consist of a minimum of 40% Reserve officers. Concurrent with establishment of an all-Reserve management team, authority should be granted to the Chief, Naval Reserve/Naval Reserve Forces to assume the budget program planning functions and the concurrent fiduciary responsibilities for expenditures for the Naval Reserve similar to that authorized for the other Reserve Component Chiefs.

To properly execute this responsibility, the CNAVRES/CNRF should establish a comptroller organization within the Naval Reserve. All units of the Naval Reserve Forces should be placed under the operational control of the CNFR during peacetime conditions except during periods of Active Duty for Training or inactive duty training periods (drills) that would necessitate transfer to other fleet commanders to accomplish training or operational commitments.

NRA feels that the Navy needs to vest the budget management, training and operational responsibilities in Reserve leaders who can best serve the objectives of the Naval Reserve mission.

Recommendation

The NRA recommends that the position of Chief, Naval Reserve/Naval Reserve Forces, be established in law and provided with the management authority and responsibility of all Naval Reserve activities, to include, but not be limited to, training, personnel, programs, budgets, policy, funds, force structure, plans and allocation of all monies appropriated by the Congress for the Naval Reserve. This position shall be filled by a Reserve officer with the grade of at least Rear Admiral who will serve for a period of 4 years. The appointment as CNAVRES/CNRF will be made by the President, by and with the advise and consent of the Senate.

To assist the CNAVRES/CNRF in executing his duties the positions of Deputy, Air and Deputy, Surface should also be established in law. The NRA recommends that appointments be made from Naval Reserve Rear Admirals or Commodores by the Secretary of the Navy and that they hold office for four years.

A copy of the proposed legislation is attached as Appendix C.

EXCHANGE AND COMMISSARY BENEFITS

Last year Congress approved a test program by which drilling Reservists in certain areas can visit the Commissary Stores on a one-for-one basis with the number of days of active duty for training performed that year up to a maximum of 14 visits. NRA members very much appreciate the Congressional action in this regard.

There was one other request made which NRA has requested Congress to reconsider, particularly since it costs little or nothing to grant.

This subject concerns a group of Reservists who have completed 20 years of qualifying service but who have not yet reached age 60 at which time they would be eligible to draw retired pay. These individuals are in an amorphous situation when it comes to retirement benefits. They have served their country with honor but will not draw a penny's worth of retirement compensation until they reach age 60. During the period between the time when this group retires without pay after their qualifying service and when they reach age 60, they are not eligible to shop at either the Exchanges or the Commissaries. The perception among the Reservists is that they are second class citizens, a group of forgotten patriots. I don't believe the active force would or should begrudge these individuals the privilege of using the Exchange and Commissary facilities. Total Force has to be meaningful across the spectrum of privileges as well as responsibilities if it is to mean what the term connotes. We do not believe that there would be any onslaught of additional activity at the Exchange or Commissaries around the nation if the privileges were granted to the subject group. Significant numbers of these retirees do not live within commuting distance of the military facilities but they would perceive that their service has been appreciated.

Recommendation

NRA therefore recommends that the Congress adopt legislation which would grant unlimited Exchange and Commissary privileges to Reservists and Guardsmen who have completed at least 20 years of satisfactory service for retirement but who have not yet reached age 60. Senate Bill S. 1474, a bill to amend title 10, United States Code, to authorize the use of Post and Base Exchanges and Commissary Stores by persons who, but for age, would be entitled to retired pay under Chapter 67 of such title, has been introduced into the current session by Senator Sarbanes of Maryland.

ROPMA UPDATE

The Reserve Officers Personnel Management Act (ROPMA) is slowly making its way through the final Service coordination effort within the Department of Defense. The ROPMA Steering Committee completed its deliberations in December 1982 and a draft bill prepared by the Naval Reserve Legal Support Unit was submitted to the Services in May 1983. The final comments from all Services were received in March 1984. A redraft of the bill will be completed in April and then forwarded to OMB and the Congress shortly thereafter. NRA is concerned that, due to the short time Congress is in session this year, the proposed legislation will not be acted upon when it finally reaches Capitol Hill.

Except for some technical corrections, the bill will remain essentially as recommended by the ROPMA Steering Committee. A review of some of the key features of the proposed legislation are:

PROMOTION SYSTEM

The promotion of Reserve officers will be effected in a manner similar to that provided for active duty officers. Zones of consideration will be established by the Secretary of the Military Department concerned for each grade and competitive category. Eligibility will be determined by years of service in grade within minimum and maximum years of service in grade that will be established in law. The Naval and Marine Corps Reserve will retain the running-mate system as an optional means of determining eligibility for selection and appointment to all grades above Ensign.

Limited below-the-zone selections will be authorized at the discretion of the Service Secretary.

Position vacancy promotions (formerly unit vacancy promotions) will still be authorized for the Reserve Components of the Army and the Air Force.

CONSTRUCTIVE SERVICE CREDIT

ROPMA made drastic changes in the laws affecting the Secretaries' ability to award constructive service credit upon the original appointment of a reserve officer based upon advanced education and civilian acquired experience The ROPMA changes would permit some latitude in awarding constructive service credit for education and experience in officer categories where skill shortages exist and advance degrees are not a prerequisite for appointment in those categories.

MANAGEMENT OF RESERVE OFFICERS ON ACTIVE DUTY DURING WAR OR NATIONAL EMERGENCY

The Reserve Component officers of each service (not on the active duty list) will be placed on the single reserve-active-status list by grade and rank and will include Active Guard and Reserve officers as well as Selected Reserve and active status Standby Reserve officers. During periods of mobilization, it is proposed that officers on the Reserve-Active-Status list remain on that list in lieu of being placed on the active-duty list and continue to be considered for promotion when eligible under reserve officer management provisions. This will preclude mobilized reserve officers from promotion competition with regular officers with continuous active duty.

CONTINUATION IN AN ACTIVE STATUS

Continuation provisions for reserve officers who have twice failed of selection for promotion to the next higher grade will essentially parallel the provisions for officers on the active-duty list. Management flexibility is provided to ensure that reserve mobilization requirements can be met and maintained.

Recommendation

NRA is enthusiastic about the proposed ROMPA bill as it is now constituted and strongly recommends early hearings by the Armed Services Committee once they receive the proposed legislation. NRA believes in the enactment of ROMPA as an effective means of providing the appropriate management tools to ensure a strong and viable Reserve Force under any foreseeable situation. Of particular importance to the NRA is the enactment of the revised constructive service credit proposal and enactment of provisions that will preclude the placement of mobilized reserve officers on the active-duty list for promotion purposes.

NAVAL RESERVE MISSIONS

The Naval Reserve Association offered a considerable number of recommendations last year before several Congressional committees on ideas for Naval Reserve missions and roles. Because of the considerable pressure on the Services to address the active/reserve mix, including a denial by the Congress of much of the Personnel increases requested by the Navy and Air Force, the Navy has established a group to study Total Force Planning. Many of the proposals recommended by NRA were considered for implementing by the Navy, some of which were rejected and others forwarded to the CNO recommending approval.

When considering what new or expanded roles can be assumed by the Naval Reserve, NRA has stated some very important caveats which must be carefully weighed by those who make the Total Force decisions:

Defense planning should consider that any role or mission which can be assumed by the Guard or Reserve should be assigned to the appropriate component. Those not assumable should be assigned to the active force.

Missions or tasks assigned to a Reserve Component must be supported. This support is to be based upon the wartime employment priority of the unit/s.

Expanded requirements should be accomplished as expeditiously as possible but in a phased and orderly fashion to ensure the continuity of the capability.

Savings in the Defense budget cannot occur immediately. Phasing in the new programs would mean gradual, but significant savings in the out years.

Hard decisions have to be made by the Congress, the Administration and the Navy concerning different ways of doing business, i.e., forward deployment requirements and practices, also the 100,000 Call-up for 90 days authority of the President should be included in the force structure planning.

Certain questions must be asked. It is more important to pay the price for maintaining heavy peacetime deployment schedules than to increase our war-fighting capability? It is necessary to deploy ships in the numbers and locations we have in the past? These decisions must be made at at the national policy level.

Complete demographic studies must be made and consulted when determining homeporting locations and availability of required skills for manning Guard/Reserve units. So called "Marketing Studies" are not adequate for such TOTAL FORCE planning.

Ship/Squadron Deployments—A change in the traditional way of deploying ships, aircraft and personnel should be addressed as a possible means of conserving funds, freeing up assets and simplifying the training programs. One idea is to deploy ships/land-based aircraft squadrons to overseas locations and leave them there for extended periods, i.e., between overhauls for the ships. Crews could be flown back and forth from CONUS to the ships or aircraft squadrons in increments. There is a lot of wasted time in transmitting ships over long distances and much continuity lost when relieving ships or land-based aircraft squadrons after short deployments.

Commensurate with the increased reliance on the Guard and Reserve, the Administration and the Congress should make it perfectly clear that the responsibilities being placed on the Reserve Components in their contributions to the national defense make them susceptible to being recalled for situations short of a national emergency. The President's authority to call up to 100,000 Selected Reservists for a maximum of 90 days should be cited. NRA believes that consideration should be given to increasing both the numbers of personnel and the length of service they can be called up for by the President. Six to nine months would be a much more logical period for any kind of a deployment of forces. Only if the active forces can be assured that the Guard and Reserve personnel can be called upon in a tight situation, short of a full mobilization, will they consent to assigning important mission areas to their Reserve Components. NRA regrets that during the Joint Senate/House Authorization Conference on the FY 1984 Defense Authorization Bill, the SASC proposal to increase the call-up authority period to 180 days was dropped.

NRA will present many ideas and possibilities for increased Reserve participation but, it is obvious that there are many more possible tasks to give to the Naval Reserve than there are Reservists who would be required to fill those billets. The problem in the past has been that the Services have never addressed the full potential of the Reserve. Fortunately, we have at the present time a Secretary of the Navy who has convinced the Navy to address Reserve issues in greater depth. We have progressed both in the Naval Surface Reserve and in the Naval Air Reserve, but we still have a long way to go.

NRA believes that the most important consideration in force planning is warfighting capability and that particular capability does not have to operate on a day-today basis in peacetime.

The Naval Reserve already is charged with all or a majority of some Navy tasks or responsibilities. Included is the total responsibility for the U.S. based Logistics Aircraft, the Light Attack Helicopter Mission, the Naval Combat SAR capability, the Naval Mobile Inshore Undersea Warfare (MIUW) and 99% of the Naval control of shipping. Over 80% of the Navy's assets in Ocean Minesweepers, Cargo Handling Battalions, and the Military Sealift Command; and more than 60% of the Mobile Construction Battalions (MCBs), and Special Boat Forces are assigned to the Naval Reserve. Significant contributions to the Navy's total efforts in Maritime Patrol Air, Tactical Air Wings and Naval Intelligence are also in the Naval Reserve Forces. The total number of ships in the NRF dwindled to only 35 in FY 1983, 36 in FY 1984 and will remain relatively stable in the Five Year Plan according to the SECNAV Posture Statement.

PERSONNEL

The Reservist, in most cases, is already trained so that the main effort has to be to keep his skills current or to upgrade the Reservist to more modern equipment. Unfortunately, much of the Reserve training is retrogressive, back to older equipment than that with which he is familiar.

TRAINING

The secret of training in the Naval Reserve is to be able to get experienced personnel to the equipment to maintain currency. Consequently, a big push by NRA for years was, and continues to be, to procure a modern Navy organic airlift with which to get experienced personnel to the training platforms, particularly Naval Surface Reserve personnel. The introduction of the Sea Air Mariner (SAM) program will produce up to 10,000 initial entries into the Naval Reserve each year to fill the unrated or junior rated mobilization positions. This is a promising program, however NRA is still concerned that after four years or so of the SAM program a large percentage of the Naval Reserve drilling population will never have had a sea duty tour. That is not a great problem in the aviation community but it is in the surface reserve. Also, of concern, is the probability that many of the SAMs will not receive a school training which NRA believes is mandatory for a professional program. NRA also believes the old 2 x 6 program in which an enlistee spent two years on active duty and the remainder of his six year obligation in the Naval Reserve was ideally suited for manning NRF ships. Enough of the 2 x 6 enlistees shipped over in the Regular Navy to make the program worthwhile for the active force.

EQUIPMENT

Since Naval Reserve Personnel are, for the most part, already trained, the controlling factor on the ability of the Naval Reserve to perform its role rests on equipment availability and its currency. This fact dictates NRAs concerted effort to modernize the Naval Reserve Force with current, combat capable weapons systems.

SURFACE RESERVE

The plan to phase the Frigates into the Naval Reserve is proceeding smoothly. This transition is very illustrative of how effective the Navy can be when its efforts are devoted to a cause rather than fighting it. Once the decision was made to transfer the FF-1052 and FFG-7 ships into the Naval Reserve the resistance to Congressional pressure was dropped. The same situation could occur if Navy made the decision to follow the Congressional guidance and NRA's recommendation to transfer Operational, Administrative and Funding Control of the NRF ships to the Chief of Naval Reserve.

The forward deployment scheduling would have to be modified before final decisions can be made in this area. Several possible actions could be taken which would greatly affect an increased Naval Reserve role in the Surface Navy. A cutback in the number of ships deployed or in the number of places deployed to and possible operating schedule changes could make a considerable number of alternatives available for transfer of active ships to the Naval Reserve Force (NRF).

The surface portion of Mine Warfare is presently a Reserve mission. The new Mine Warfare ships being procured will go into the NRF after 12-18 months of shakedown in the Active Force. This continues to be an ideal mission for the NRF.

DESTROYER/FRIGATES

There are 26 FF-1052 or FFG-7 ships which are in or slated to join the NRF by 1990. Two were added to the list very recently by SECNAV. The ships lack some of their very important ASW systems however with no relief in sight, principally in LAMPS I helicopters and Towed Array Sonars. NRA has requested the Congress to commence rectifying the ASW System shortages.

It is possible that some of the mothballed ships, such as the recently decommissioned DD-931 Class Destroyers, could be put in a cold iron status with a small cadre crew aboard. Such a ship could be activated within a short timeframe. This possible status would cost slightly more money annually but the ships could be ready for combat a lot faster with an assigned crew than is now possible. The study report turned this request down but NRA questions the assumptions used and considers the issue still active.

ARAPAHO

ARAPAHO is the concept of using modern technology to equip containerships for Naval military missions. It provides the means for rapidly deploying various Naval assets thereby achieving quick force multiplication at minimal cost.

The idea has resulted in several initiatives mandated by Congress and reluctantly carried forward by the Navy. The last iteration resulted in construction of a completely containerized facility for land/launch/storage and limited support of ASW helicopters. The design was tested successfully in Chesapeake Bay in 1982 and then off-loaded for storage.

The British, while engaged in the Falklands uproar, saw the U.S. ARAPAHO modules as assets of great value and succeeded in leasing them. In fact, the U.S. ARAPAHO assets were recently used to off-load the British "Peace Keeping" force from Beirut. The British have improved the leased equipment with additions of POL storage, crew berthing and messing and other modifications of value to them. The whole episode has vindicated the ARAPAHO concept as useful to a nation which wishes to achieve a force multiplier at relatively low cost. It allows a rapid conversion and deployment of national assets manned by Reserves.

Off-the-record conversations with Navy planners indicate a strong desire to have the capability in case of war, but these opinions are attenuated by concerns about the lack of aircraft assets to deploy in ARAPAHO in case of war. NRA is also concerned about these issues and has gone on record requesting additional aircraft assets for the Naval Reserve. In the overall continuum of Navy projects—all of which are necessary for defense—few, if any, promise the degree of flexibility and force multiplication per dollar invested than does ARAPAHO.

Much remains to be accomplished before ARAPAHO can represent a viable "force in being" at the disposal of the national interest. Although the development has conclusively proved that containerships can be converted to support aviation activities in general, little has been done to convert this general capability to one useful to national defense. What must now be doen is to focus on a known mission of concern to the Navy and design a suitable set of ARAPAHO "modules" to attain an effective capability for the mission.

The ASW missions would seem to be the most logical to home in on first. NRA will ask Congress to mandate that plans be drawn for a system to support an ASW ARAPAHO package which will include, at least: ASW helicopters; ASW data link; radar and C^3 for control of aircraft; briefing, debriefing and living spaces; close in weapons system (CIWS); aircraft fuel storage and refueling facilities, etc. The modernization can then be expanded into a multitude of Naval missions tied up in neat modular packages.

ARAPAHO is considered to viable and valuable a system by too many people to let it die a slow death of, out of sight, out of mind. NRA hopes the Congress will once again pick up the ARAPAHO ball and put it back into play.

It was no surprise that the Navy Total Force Mix Study Group report turned thumbs down on ARAPAHO. NRA will continue to recommend the system to Navy and the Congress.

AMPHIBIOUS FORCE

The recommendation to place many of the Amphibious ships in the Naval Reserve met with considerable acceptance by the study group for implementation in the 1990s. NRA recommended additional LSTs be transferred to the NRF as well as the possibility of an Amphibious Squadron except for the LPH.

HOSPITAL SHIP

NRA recommended that a significant portion of the Medical Staff be Reservists. The Navy plan is to skeleton man the ship with Medical Personnel. In case of mobilization, the open billets will be filled with active duty personnel from shore billets and those vacated positions will be backfilled by Reservists.

MERCHANT MARINE

The support ships such as Oilers, Ammunition Ships, etc., which are under contract to the Navy have a minimum crew aboard for normal steaming. These ships, which would be needed for wartime support, could have Reserve crews assigned for the contingency when the crew would require augmentation.

The study report was very favorably inclined to support this recommendation stating, " . . . If planned procurement of civilian manned TAOs is achieved, Navy plans to transfer these five AO-117 ships to the NRA commencing in FY 1988 . . ."

AIR PROGRAMS

Tactical airlift

This program is a prime example of how effective Reserve assumption of a mission can be. Naval Reservists fly all Continental United States Navy Logistics Airlift missions, active and reserve. The long term controversy over whether the Navy would have an organic airlift capability has been satisfactorily resolved, at least for the present time. The money has been appropriated or requested to procure enough airlift aircraft to last for 25-30 years provided the commercial used aircraft market has not dried up before the requirement has been reached.

The Reserve tactical air wings

The modernization of the Reserve Tactical Air Wings is now well underway. Secretary Lehman's posture statement for FY 1983 set the tone two years ago when he stated, ". . . We will begin a shift this year from a vertical integration of our aircraft—the practice of putting older aircraft models into the Reserves as we phase newer ones into the fleet—toward horizontal integration . . . We shall establish Reserve squadrons for virtually all of our front line fleet aircraft . . ." This year the Secretary announced that, " . . Reserve units have been established and are flying P-3Cs, S-3s, SH-2s, A-6Es, A-7Es and FA-18s. Some of these flying units are augmentation units to fill out fleet squadron strength upon mobilization, and others are commissioned squadrons . . ." In commenting on the Aircraft Programs he said, " . . . The 13th active Airwing is being commissioned this year and a 14th is planned for FY 1987. The Airwing dedicated to our 15th deployable Carrier will be one of the two Reserve Airwings. The second Airwing will be dedicated to the Aircraft Carrier undergoing Service Life Extension . . ."

The Naval Reserve Association has recommended for several years that the Reserve Airwings be tied to Carrier decks. The original recommendation was for the two Reserve wings to be assigned to the 13th and 14th Carriers, the one in overhaul and the one in the Service Life Extension Program (SLEP). Last year NRA recommended that the 14th and 15th Air Wings be assigned to the Reserve Airwings. That recommendation is once again offered for consideration.

A review of the past history followed by a current status sitrep on the condition of the Reserve Airwings is presented to provide the reader with some background on the history of the Naval Air Reserve TACAIR Community.

Since the end of World War II the flow of aircraft has been almost exclusively from older USN assets which were of no further use to the active force. They consisted of aircraft in excess of the needs of active force requirements either for the present or future time frame. As the actives received new aircraft the older models migrated to the Naval Air Reserve, often as an afterthought, in lieu of putting the aircraft into mothballs or salvage.

As the Defense budget dropped off in priority, the aircraft inventory became critical for the active force with an even greater impact on the Reserve squadrons. Eventually the desired "Mirror Image" of the Reserve units changed to one of hardly any compatibility with the active squadrons. On several occasions, the situation became so critical in the active force that the old Reserve aircraft had to be transferred back into the actives to fill the voids caused by combat and other attrition losses well in excess of Naval Aircraft Procurement gains.

Back in the early 70's (1973-1974) the Total Force Study recommended, inter alia, that a Reserve Air Wing be maintained at a currency whereby it could be deployed expeditiously aboard a designated Carrier in the event of a national emergency. For some reason a few of the OSD officials could not believe that a Reserve Air Wing could be ready to go to sea aboard a Carrier without many months of workup. An Operational Readiness Exercise (ORE) of Air Wing Thirty was finally conducted aboard USS *Ranger* in November 1976 and resulted in a highly professional performance by the Reserve Air Wing. Not only could the Reserve unit meet the challenge, but it could do it faster and with a much higher professional capability than the active Air Wings which were not at sea or in a ready-for-deployment status. Air Wing Twenty followed in November 1978 aboard Independence with another outstanding performance. The two exercises prove that the concept of Reserve Air Wings assigned to active force Carriers for early deployment is a viable one. The experience level of the Reserve flight and maintenance crews is the key to a high combat readiness status.

The problem that has developed is the incompatibility of the Carrier with the Reserve Air Wing. The aircraft mix in the current Reserve TACAIR community cannot be supported by any Carrier in the present configuration. Although the Air Wing could be ready for Carrier based combat operations within a few weeks after receiving order to do so, (within hours for land-based operations) it could not be supported for sustained operations of more than a few weeks by the Carrier. Even for that short period of time the Air Wings portable or jury-rigged equipment would have to be used. It is estimated that it would take up to six months to make necessary modifications to the ship in order to provide maintenance and supply support for the Reserve Air Wing. Pack-up or War-Risk Kits were included in the early budget iteration a few weeks ago, but fell out in the later going.

The NRA proposal to designate the Reserve Air Wings as the 14th and 15th Air Wings is based upon the following rationale:

The Reserve TACAIR units have proved time and time again that they are capable of conducting cyclic operations off a Carrier at sea within a very reasonable time frame. This period of workup varies somewhat with the length of time since the last refresher quals were conducted aboard ships.

The pilots and maintenance personnel are highly professional, seasoned veterans and second or third tour pilots. They can equal or outperform any active unit and they should with their bag of seasoned aviators.

The main drawback, the incompatibility of the aircraft with the support aboard the Carriers, is diminished significantly with the input of new aircraft into the Reserve units.

The only modern aircraft not expected to be in the Reserve Airwings within the next two years are the E-2C Hawkeye (one Air Wing is equipped with the E-2C the other with the E-2B), the A-6E, the EA6B (they currently fly the EA6A) and the S-3. If NRA's recommendation is implemented, the assets not now available in the Reserve Air Wings can be moved into the Reserve squadrons rather than assigning the assets to a yet to be established Active Airwing.

Since many of the current aircraft models will already be in place, there is a considerable cost avoidance realized by the NRA plan.

The safety record of the Navy Air Reserve also has the potential for cost savings. For years, the Naval Air Reserve safety record has been number 1 and 2 among the major Aviation Commands. In 1982 for example the Naval Air Reserve accident rate was .62/100,000 flight hours compared to the all USN rate of 4.46. Last year, 1983, the Reserve rate was 1.15 compared to the all-Navy figure of 4.36. In both years the Naval Reserve record was the best in the Navy.

When it is decided that the sixteenth (16th) Air Wing is required, the decision can be made as to whether to form an active or reserve Airwing.

NRA sees no reason to wait for another active wing to be formed. There will always be one Carrier in Overhaul (considered deployable) and one in SLEP (non-deployable). The Reserve Air Wings can be ready to man both Carriers by the time they can be put on the line. The fact is, that the Reserve Airwings could probably be ready before an active unit which has "stood down" after a deployment cycle.

Assuming that all Carriers are deployed with assigned Airwings in an emergency and the Reserve Airwings have to wait until the Carriers in overhaul and SLEP complete the yard work, the Airwings with their modern aircraft would be available for other missions as needed. The F-14s, for instance, could be used in an Air Defense role which they are well suited, as could the F/A18s.

The increase in the number of deployable Carriers and the resultant requirement for assigned Airwings will require the reopening of the S-3, Viking Line to equip the two VS squadrons necessary to roundout the Airwings. The Reserve Airwings do not have VS units attached so they have to be formed whether it is an active or reserve Airwing selected.

Recommendation

The Naval Reserve Association strongly recommends that the two Reserve Airwings be designated as the Airwings dedicated to the 14th and 15th Carriers and that they be completely outfitted with current, combat capable aircraft compatible with their assigned Carriers.

Further, that when the 16th Air Wing is planned, consideration be given to making that a Reserve Airwing also.

AERIAL MINESWEEPING

This mission, which was pulled out of the Naval Reserve the year that it was to have been transferred in the from the active force, is still a 100% active mission. NRA believes at least two of the three squadrons should be in the Naval Reserve. The Total Force mix study agreed that as the new aircraft are introduced into the active force that some of the older aerial minesweepers can then migrate to the Naval Reserve. The active units have had emergency deployments only twice in their period of existence which could easily have been handled by recalling a Reserve unit for the required minesweep.

ACTIVE/RESERVE MIX

We have included a relatively large section on Naval Reserve Missions considering that the Navy has submitted "A Report to the Congress on the Navy's Total Force, February 1984". However, a quick review of the report reveals that there are still some old habits to break. Some of the recommendations made were positive such as the Caribbean initiative but most of those occur in the out years sometime and we are inherently suspicious of out year planning for the Naval Reserve.

Many of the current proposals were decisions that had already been reached before the study, a listing of ongoing actions in the Naval Reserve. We do feel that the report reflected a sincere but hurried and therefore incomplete effort to address the active/reserve mix. Included in our submitted testimony are the caveats we believe are important to consider prior to making total force mix decisions. The issues restated this year are believed to still be viable for consideration for Naval Reserve assumption in whole or in part. We look forward to a possible exchange of thoughts on these issues with the Navy.

In summary Mr. Chairman, we hope we have given you and the Congress some food for consideration today on ways to improve the warfighting capability of our nation in the most economical was possible.

The Naval Reserve Association fully supports the Secretary of the Navy and the Chief of Naval Operations in their efforts to achieve Maritime Superiority in the shortest possible time. However, we do believe that, significant, long term, savings can be made if more reliance is placed on the use of the Reserve.

Our personnel are experienced. Regretfully, considerable effort now has to go into retrogressive training backward to older equipment. *Equipment* is the key to mission readiness and you cannot find a more capable wartime asset than a Reservist trained on a modern weapon system. More and more people are beginning to realize that fact.

"Total Force" and "One Navy" are terms that seem to be coming of age, to mean what they say. We ask that Congress keep the pressure up to objectively determine the best active/reserve mix in the Navy. We applaud the Navy's current efforts to address the active-reserve mix, however, based on past experience, that effort could dissolve rapidly with a change in motivating influences.

Mr. Chairman, Committee members, NRA sincerely appreciates your interest in providing this country with a Guard and Reserve capable of stepping into the breech when they are needed in a (possible) conflict. For the most part, the capability is there if the support is provided. When the Reserve Components have been manned and equipped and when they have been called, they have performed admirably in combat and in combat support roles. The Naval Reserve and the other Reserve Components will repay your efforts many times over in cost effective, wartime capable, assets.

APPENDIX A

FACTS—NAVAL RESERVE STRENGTH

1. The Administration proposes to fund 105,688 paid drill Naval Reservists in FY 1985 (average).

2. Naval Reserve strength has been a controversial issue since early 1970's. All parties, (OSD, Navy and Congress), now agree on requirements.

3. Decline of NR strength went from 129,000 in FY 1973 to a low of 87,000 in fiscal years 1978 through 1981. Congressional action stopped decline and refunded strength of 105,000 in FY 1984.

	Navy submission	President's budget	Congressional	
			Authorized	Funding
Fiscal year:				
1973	129,000	129,000	129,000	129,000
1974	129,000	116,981	119,231	116,857
1975	112,819	107,526	117,000	108,485
1976	95,142	93,982	106,000	99,000
Transition quarter	92,000	92,000	106,000	101,400
1977	92,762	52,000	96,500	96,500
1978	96,500	52,000	87,000	87,000
1979	87,000	51,400	87,000	87,000
1980	87,000	48,700	87,000	87,000
1981	87,000	87,000	87,000	[1] 92,000
1982	87,000	87,000	[2] 87,000	94,000
1983	94,000	94,000	94,000	94,000
1984	99,046	99,046	99,046	105,000
1985	105,688	105,688		

[1] Funds diverted by OSD and strength retained at 87,000.

[2] 90,000 strength recommended by HASC but deleted in authorization conference. (Figures do not include TARS/265).

4. The following studies during the past decade recommended much higher strength than OSD analysts would accept:

Study and date	Conducted by	Selected reserve strength recommended
Total Force, 1973-74	OSD	92,000
Op 605, 1974-75	Navy	102,000
Navy mission study, 1976-77	OSD	95,900
Guard and reserve (Rogar II) 1977-78	OSD	[1] 110,000
Navy Manpower Mobilization System (NAMMOS), 1978 ongoing	Navy/OSD	([2]) ([3])

[1] Recommended 10 percent manning to ensure full wartime availability.

[2] See chart.

[3] NAMMOS stated requirements increase from 120,503 in fiscal year 1984 to 127,024 in fiscal year 1989.

5. OSD, in fiscal year 1981, defied Congress by refusing to use appropiated funds to raise NR strength to 92,000.

6. NR is the only immediate source of trained personnel to augment the active Navy in the event of war, national emergency or for other contingencies such as the call-up of 100,000 Selected Reservists by the President.

7. Navy shortage of critical skills to man fleet ships could be at least partially offset by designating Naval Reservists to fill shortages.

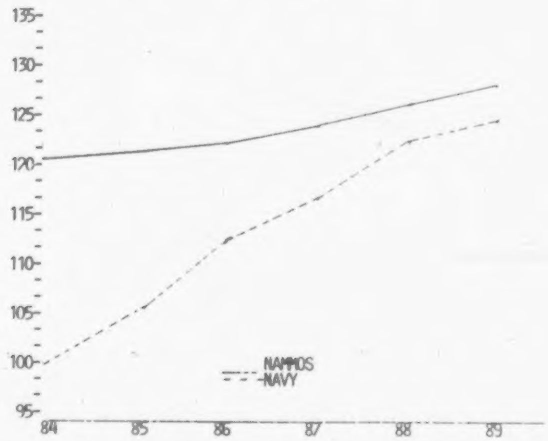
8. Proposed expansion of Navy to 600 ships will increase need for additional Naval Selected Reservists to augment the new ships and man additional NRF ships.

9. Naval Reservists have oversubscribed to the call to man the Battleships New Jersey and Iowa.

10. Maximum utilization of Reserve assets will provide expanded defense posture with top notch caliber personnel at lowest possible cost.

11. The planning criteria should be that: All mobilization missions not capable of being performed by the Naval Reserve should be in the active Navy.

12. The following chart illustrates NAMMOS and NAVY proposals for increased NR strength:



	84	85	86	87	88	89
NAMMOS	120.503	121.406	122.411	124.570	125.774	127.024
NAVY[1]	99.841	105.688	112.525	116.353	122.083	124.347
TAR/265[2]	12.796	14.550	15.824	16.686	17.547	18.034
TOTAL MOB REQMT NAVY[3]	305.921	358.644	359.553	344.056	328.372	312.393

[1] AVERAGE STRENGTHS
[2] ACTIVE DUTY SUPPORT
[3] INCLUDES ALL NAVY MOBILIZATION REQUIREMENTS NOT ON ACTIVE DUTY

APPENDIX B

A BILL To amend Title 37, United States Code, to authorize the payment of an incentive pay to enlisted personnel of the Selected Reserve who participate in certain units as designated by the Secretary of a military department

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That 3 secton 308 of Title 37, United States Code, is amended by adding a new subsection (g) to read as follows:

"(g) SPECIAL PAY: Incentive pay for members of the Selected Reserve assigned to certain high priority units.

(a) An enlisted member of a Reserve component who participates in certain units as designated by the Secretary of a military department may receive incentive pay as provided in subsection (c).

(b) Eligibility for and the amount and method of payment of an incentive to be paid under this section shall be determined under regulations prescribed under subsection (c), except that the amount of such incentive pay may not exceed $10 per drill and shall be paid only after satisfactorily participating in a scheduled training period of the unit.

(c) This section shall be administered under regulations prescribed by the Secretary of Defense, or by the Secretary of Transportation with respect to the Coast Guard when it is not operating as a service in the Navy.

SEC. 2. The amendments made by this Act shall take effect on the date of enactment of this Act."

SECTIONAL ANALYSIS

A bill "To amend Title 37, United States Code, to provide enlisted Selected Reservists of the Military Services, who voluntarily affiliate and train with certain high priority units that are inadequately manned, incentive pay of up to $10 per drill period."

This bill would amend section 308 of Title 37, United States Code by adding a new subsection (g) to authorized Selected Reserve enlisted personnel of the military services to receive up to $10 per drill period to voluntarily affiliate and train with certain high priority Reserve units that are difficult to man as compared to other units in the same geographic area. The payment will be made after the drill is performed.

APPENDIX C

A BILL To amend title 10, United States Code to establish the positions of Chief of Naval Reserve and two Deputy Chiefs of Naval Reserve so as to provide for the national security on a more effective, efficient, cost-effective, and representative basis, and for other purposes

Be it enacted by the Senate and the House of Representatives of the United States of America in Congress assembled, That (a) this Act may be cited as the "Naval Reserve Force Management Act".

(b) Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or provision, the reference shall be considered to be made to a section or other provision of title 10, United States Code.

TITLE I—AMENDMENTS TO TITLE 10, UNITED STATES CODE

PART A—AMENDMENTS TO SUBTITLE C

SEC. 101. (a) Chapter 519 is amended by adding at the end thereof the following new section:

"§ 5253. Office of Naval Reserve and the Naval Reserve Forces appointment of Chief, Deputy Chiefs, and Acting Chief; functions, policies, and regulations for government of Naval Reserve

"(a) There is in the executive part of the Department of the Navy an Office of Naval Operations on matters relating to the Naval Reserve which is headed by a Chief who has access to the Secretary of the Navy and to the Chief of Naval Operations and is the principal staff adviser to the Chief of Naval Operations to include, but not limited to, personnel, programs, budgets, policy, funds, force structure, and plans. The Office of Naval Reserve includes a general counsel, a comptroller, and other personnel deemed necessary by the Chief, Naval Reserve and as authorized by Congress to discharge its statutory responsibilities. The Office of Naval Reserve is—

"(1) the principal general supervisory staff and operating agency of the Navy Department for the Naval Reserve;

"(2) the Navy Department agency responsible for coordination of communication between the Navy Department and the subordinate commands in all matters relating to the Naval Reserve;

"(3) responsible for preserving and maintaining the integrity of the unit and command structure of Naval Reserve as a separate and distinct part of the structure of the Navy, except after mobilization, which is the specific intent of the Congress;

"(4) the staff agency responsible for the management of all Naval Reserve activities, to include but not limited to, personnel, programs, budgets, policy, funds, force structure, and plans; and

"(5) the agency responsible, under the Chief of Naval Operations, and having primary policy direction authority and responsibility to include, but not limited to, personnel programs, budgets, policy, funds, force structure, and plans of the Navy affecting the Naval Reserve and for control, to include planning, managing, and further allocating, of all moneys apropriated by the Congress for the Naval Reserve.

The Congress looks to the Chief, Naval Reserve for the proper utilization and staffing of his office plus the full support and cooperation of the Department of the Navy to ascure the establishment of a reliable and useful partner in the common effort of the national defense.

"(B) The Chief, Naval Reserve shall also be the Commander, Naval Reserve Forces which under the Chief of Naval Operations, shall include all Naval Reserve surface, subsurface and air units and personnel in the Navy Department. It shall be organized and located as deemed necessary by the Secretary of the Navy upon the recommendations of the Chief of Naval Operations and the Chief, Naval Reserve. Staffing shall be consistent with section 265 of this title.

"(c) The President, by and with the advice and consent of the Senate, shall appoint the Chief of Naval Reserve, the Deputy of Naval Reserve, Air, and the Deputy Chief of the Naval Reserve, Surface, (which positions are not included in the total prescribed by any other section of this title) from commissioned officers of the Naval reserve not oniy active duty, or who are on active duty under section 265, 672, 678, or 715 of this title, who—

"(1) have had at least 10 years of commissioned service in the Naval Reserve; and

"(2) have been recommended by the Secretary of the Navy from a list containing the names of not less than three nor more than five officers whose names have been forwarded through the Chief of Naval Operations by a selection board comprised of five members, one of whom shall be the Chief of Naval Reserve.

"(D) The Chief of Naval Reserve holds office for 4 years but may be removed for cause at any time and may not hold that office after he becomes 62 years of age. He is not eligible to succeed himself. If he holds a lower reserve grade, he shall be appointed in the grade of Rear Admiral for service as Chief of Naval Reserve.

"(E) The Deputy Chiefs of Naval Reserve hold office for 4 years but may be removed for cause at any time and may not hold office after they become 62 years of age. If they hold a lower reserve grade, they shall be appointed in the grade of Commodore for service in the Naval Reserve.

"(1) If the Chief of Naval Reserve is unable, because of disability, to perform the functions of his office, or if that office is vacant, the senior Deputy Chief or the senior officer of the Naval Reserve on duty in the Office of Naval Reserve or the Naval Reserve Forces, shall act as its chief until the disability ceases or a successor is appointed.".

"(B) The table of sections at the beginning of Chapter 519 is amended by adding at the end thereof the following new item:

"5153. Office of the Naval Reserve and the Naval Reserve Forces: Appointment of the Chief, Deputy Chiefs, and acting Chief, functions, policies, and regulations for government of Naval Reserve.".

[Questions with answers supplied follow:]

QUESTIONS SUBMITTED BY SENATOR ROGER W. JEPSEN

IMPACT OF PROPOSED DEDUCTION DISALLOWANCE/REVENUE PRICING

Senator **JEPSEN**. Gentlemen, as you know, the Internal Revenue Service and Treasury are studying a proposed Revenue Ruling which would deny otherwise tax deductible housing expenses to the extent they are covered by already tax free allowances such as BAQ. It has been reported that the Secretary of Defense has written the Secretary of the Treasury stongly opposing the proposed ruling. Please provide us with your assessment of both the near and long term impact if such a Revenue Ruling is implemented.

DEPARTMENT OF DEFENSE

General **CHAVARRIE**. We foresee significant near term and long term impact. Morale, retention, and the budget would all be affected. This action would have a devastating financial impact on the persons directly affected. The significant loss of take-home pay which these personnel would suffer would undoubtedly lower their morale and, for many, could be the deciding factor in choosing not to remain in military service. Further, the effect of this action will extend well beyond those directly affected, ranging from those persons not now homeowners, who will perceive that homeownership has become economically infeasible, to those who will view it as a general assault on military benefits.

We would expect an immediate adverse impact on retention. Though the effect is difficult to quantify, we estimate that the career force could be reduced by up to 9,000 members within five years after the limitation goes into effect, as compared to what the career force would otherwise be. The adverse retention effect of this ruling will be proportionally greater for senior NCOs and petty officers who are eligible for retirement, since they are more likely to own homes and to be in higher tax brackets than other members of the enlisted force and tend to be more responsive to pay changes than for those approaching 20 years of service. To the extent that retention is reduced, it will be necessary to recruit additional entry level personnel to replace the lost careerists. In the environment which we face now of an improving economy and a declining youth population, making our recruiting objectives could prove to be very difficult. The retention effect on our officer community could be even worse than for career enlisted. Since officers are proportionally greater homeowners and would suffer the greatest financial loss under this ruling, we can expect many to leave military service.

We can estimate the financial impact on military homeowners. Approximately 270,000 servicemembers live in homes they own and would be adversely affected by the revenue ruling. The disallowance of deductions for interest and property taxes to the extent of housing allowances would effectively cut their pay by an estimated 4 to 6 percent. Of these, 80 percent are in pay grade O-3 or lower. For example, a typical homeowner in grade O-3 in San Antonio, Texas, would have a pay cut of $1,213 per year. An E-7 in Washington, D.C., would lose $1,054. We estimate the total pay loss to be $320 million. The greatest share of this loss is in grades O-5 ($40M), O-4 ($45M), 0-3 ($40M), E-7 ($40M), and E-6 ($35M).

Because of equity considerations and the potential impact on retention, these losses in take-home pay may need to be restored. Thus, the potential budget impact results from restoring the pay of affected personnel to the pre-disallowance level. We estimate the cost of restoring the take-home pay of those members affected to be approximately $1.1 billion. Restoring pay would be accomplished by raising housing allowances. The allowances would have to be raised for those who rent as well as the members who purchase their homes. Because it may be unworkable to make a direct reimbursement for the take-home pay loss to those members affected, the most practical and cost-effective solution may be to authorize the deductions explicitly for mortgage interest and property taxes which military homeowners can presently take.

ARMY

General MITCHELL. Some 87,500 Army homeowners would suffer an immediate "pay cut" of four or seven percent depending on where they live and their individual tax status. It must be realized that only those who actually live in the home they are buying are affected by the potential application of the IRS 83-3 tax logic to the military. Homeowners are most likely to be careerists. A "pay cut" implies a greater lag in pay comparability to private sector wage growth. Experience shows that high quality (upper mental categories) soldiers are most sensitive to pay comparability. Further, loss of pay comparability (we already lag) will lead to retention problems with losses focused in higher quality members of career force—we relearn the lessons of the 1970s. It is difficult to tie dollar income changes to recruiting and retention—especially in the short term: so many factors interact and relatively few soldiers have the option of immediate career decision each year. Also, long term morale impacts may be serious. For estimation, we do know that a $1,000 loss in yearly income (in this case losses of disposable income up to $2,000 depending on individual tax situation and duty station) tends to reduce NCO career continuation rates by at least one and perhaps two percentage points. Over time, this would equate to a loss of about three to five percent of our best mid-career NCO's. Exact results are dependent upon many factors; but, this provides an idea of the retention problems we are likely to experience.

NAVY

Admiral HERBERGER. Such a Revenue Ruling would impact upon approximately 70,000 Navy members who reside in their residences. The ruling will reduce allowable itemized deductions by $4,000 to $9,500 per year resulting in a net tax increase of $800 to $3,000 annually. This net tax increase equates to a 4 to 6 percent pay reduction. Most military families consider the tax advantage of the housing allowance in their decision to purchase a home. Such a ruling could increase out-of-pocket housing costs by as much $250 per month causing our junior personnel severe financial stress or possibly foreclosure. Such a ruling will reduce the attractiveness of many military assignments in high housing cost areas or areas with limited government housing. Such a ruling ignores the fact that military pay levels were established with the congressionally mandated tax exempt status of allowances considered. The ruling would widen the gap between military and private sector pay which will have a negative impact on both recruiting and retention. Pay raises to offset the ruling would not be cost effective because they could not be targeted directly to those members penalized by the ruling. An offsetting pay raise would have to apply across-the-board at a greater cost than the tax revenue generated by such a Revenue Ruling.

MARINE CORPS

General **Mead**. Congress has traditionally considered the tax exempt status of some elements of military pay in determining a level of compensation that is fair to the individual service member, that supports the services' need to attract and retain sufficient numbers of high quality personnel, and that is affordable. Our estimates indicate that the proposed IRS ruling would be equivalent to legislating a 4 to 6 percent pay reduction to service members who own their own homes. This would directly affect more than 18,000 Marines. Junior officers and senior noncommissioned officers would be hurt the most, particularly those assigned duty in high cost housing areas with little or no government housing. Unless this loss of income was made up through additional compensation, we would expect to experience significant losses within our career force.

AIR FORCE

General **Oaks**. The IRS ruling, if implemented against military personnel, would have a direct, immediate and severe financial impact on the large group of military members who own their homes. Approximately one seventh (270,000 members) of the active force are homeowners. Estimates show that the typical annual tax liability for military homeowners would increase approximately $800 for a staff sergeant and over $3,000 for a colonel. This is the equivalent of a four to six percent immediate pay cut and it would seriously affect our members' quality of life. Many would be hard pressed to meet financial obligations made in good faith. Others could face foreclosure.

There factors would pose a serious threat to retention of skilled and experienced career personnel. In some areas, adequate housing will not be available at affordable rates. We are concerned that many members facing inadequate or unaffordable housing alternatives will retire or resign in lieu of transfer. This is particularly true as an improving economy increases the demand for skilled personnel.

The costs of repairing the retention impacts resulting from implementation of the IRS ruling would be extremely high. Neither a military pay raise nor a BAQ/VHA increase can be accurately targeted to the group affected. Furthermore, costs would exceed revenue generated by the IRS ruling by four to ten times. If, as a result of the IRS ruling, only 20% of current homeowners sought military family housing, an additional $5.9 billion would be needed in construction funds. Even at this high price, these units would take 6 or more years to complete, leaving many military families with inadequate housing alternatives in some areas.

The IRS ruling ignores the fact that since 1965 Congress has included the tax exempt status of allowances in Basic Military Compensation, which is the military equivalent of civilian salary.

In summary, implementation of the IRS ruling, would deal a serious financial blow to some 270,000 homeowners by increasing their tax liability, and reducing quality of life. Retention will decline. Related costs to recruit, train and assign replacements will increase. Initiatives to repair these negative effects with a pay increase, BAQ/VHA increase, or more family housing would be prohibitively expensive.

MOST IMPORTANT INITIATIVES

Senator **Jepsen**. General Chavarrie and gentlemen, each of you have recommended improving or increasing several compensation initiatives.

It would be helpful to the committee if each of you would identify the initiative which you believe to be the most important from your respective points of view.

DOD

General **Chavarrie**. We do not believe that one compensation initiative can be singled out as the most important. We have attempted to design an integrated, well-balanced compensation package, one that provides a reasonable standard of living for all of our personnel and also provides a structure and level of benefits, and reimbursement for expenses, that reflects the unique nature of military service. We believe, therefore, that our compensation initiatives should be treated as a package and not as a collection of individual items that can be traded off against each other.

ARMY

General **Mitchell**. In my opening statement, I specifically spoke of the "compensation system." The system must be seen as a complete package which will attract, distribute, and retain the required, high quality soldiers we seek. No aspect of the compensation package can be subverted to benefit another aspect. The failure to maintain comparability between military pay adjustments and private sector wage growth creates pay lag—the lessons of the 1970's reveal what happens when that occurs. Changing the structure of the package as would occur with modification of military retirement is a wholly new concept—there is no base for projecting impact with any assurance of accuracy. Efforts of the Fifth Quadrennial Review of Military Compensation confirm one thing—reducing the value of the military retirement system will adversely affect our ability to man the force: the gravity of the problem depending upon the reduction and its perception by soldiers. Our force is alert to compensation changes with high quality (upper mental category) soldiers most attuned to compensation issues. Soldiers understand that they may be called upon to make sacrifices for overall national goals. But, they cannot be expected to make disproportionate sacrifices. Although the expansion of benefits in private sector compensation packages has slowed, features which address realistic travel and transportation entitlements when moving (both for the individual, family, and belongings) or medical benefits like family dental plans are well-known but do not compare with the inadequate provisions in the military.

In sum, the purpose of the compensation system is to shape the desired force. That can only be achieved through a coherent, integrated package.

NAVY

Admiral **Herberger**. Rather than reduce the entire list to a singular item, I would prioritize the items by category, and then by individual items within category. My order of priority is extension of legislative authority first, followed by new initiatives and finally travel entitlements. Of utmost importance to Navy is the extension of legislative authority for Enlistment and Reenlistment Bonuses, Aviation Officer Continuation Pay and Quarters Reimbursement During Overhaul beyond the 30 September 1984 expiration date, and obtaining permament authority for Spot Promotions. Under new initiatives, our highest priorities are the Career Sea Pay, Nuclear Officer Incentive Pay, Selective Reenlistment Bonus, and Proficiency Pay recommendations of the 5th QRMC. Another new initiative of extreme importance is the Nuclear Enlisted Commissioning Program (NECP). Finally, of great importance to our people in the area of travel entitlements are the increases in Household Goods weight allowances and the member Monetary Allowance in Lieu of Transportation (MALT).

MARINE CORPS

General **Mead**. Our Military Compensation Program is a careful mix of interrelated and interdependent pays that are applied both broadly and selectively to attract and retain high quality men and women. In other words, it is a pay system. In this context it is difficult and potentially damaging to our enlistment and reenlistment goals to single out one pay as being "most important". In total they provide the financial tools we need to maintain a strong Marine Corps.

Having said this, I will mention two pay issues in order to be responsive to your question. First, the proposed 5.5 percent pay raise is very important. It will partially offset the effects of inflation on military pay since 1982 when comparability with the private sector was achieved. Second, our Selective Reenlistment Bonus (SRB) Program is absolutely essential in retaining experienced enlisted leaders in hard to fill skills.

AIR FORCE

General **Oaks**. In my opinion, one of the most important steps this committee could take to preserve the strength and effectiveness of the retirement system would be to block any attempt to extend the current fifty percent cap on retired pay cost of living adjustments (COLAs). The present cap is due to expire in FY85. If made permanent, the cap would cause a severe long term reduction in the value of retired pay. By the time the typical retiree reached age 62, their monthly retired pay would have diminished to just over half of its original value. These monthly losses would accumulate to substantial sums over the years of retirement. In the case of the typical enlisted retiree, the lifetime purchasing power of retired pay would be reduced by between one-fourth and one-third. These losses in purchasing power would have their most severe effect on those who could afford it least—enlisted retirees, nearly two-thirds with retired pay below the poverty level. Such a deep erosion in the value of retired pay would have a growing corrosive effect on the career incentive power of the retirement system—a draw the services count on to maintain a combat ready force with the right blend of youth and experience. Consequently, I believe the temporary COLA caps should be allowed to expire as scheduled in FY85.

From my perspective, the most important compensation initiative warranting favorable consideration by your committee is endorsement and adoption of the recommendations contained in the Variable Housing Allowance (VHA) Joint Service Study. This study, a joint effort by all of the Uniformed Services, has been submitted to OSD and OMB for review. Though their review is not complete, I am optimistic that our recommendations will be endorsed and that the report will be forwarded to Congress shortly. The important changes in the report would result in the substantial net cost savings of about $140M in Fiscal Year 1985 from the President's Budget for housing allowances (Basic Allowance for Quarters (BAQ), VHA and Rent Plus). More importantly, the merits of the recommended changes would reduce individual servicemembers' current annual out-of-pocket housing expenses from an amount equal to about 30 percent of their BAQ to 15 percent of the median housing costs incurred by servicemembers nationwide—this equates to an amount equal to 21.4 percent of BAQ. Further, the existing monthly ceilings on total housing allowances (BAQ plus VHA) of $800 for members with dependents and $600 for members without dependents would be eliminated. These ceilings inequitably increased out-of-pocket housing costs for DoD officers assigned to the highest cost areas—affected individuals had their housing allowances reduced by up to $1,500 from what they received on October 1, 1982.

FUNDING FOR ACCRUAL RETIREMENT SYSTEM

Senator **Jepsen**. I am concerned about the way the accrual retirement fund is being implemented. From what I understand, a decision was made to cost retirement at a rate of 51 percent of basic pay and that rate is being utilized in retirement funding decisions for all components, reserve as well as active.

I think it is fairly clear that retirement costs in the reserve components are far lower than in the active components, and in fact, there are wide variations in those costs even from one reserve component to another.

Among other things, this approach creates the appearance that retirement costs in the reserves are skyrocketing.

Would you please explain why and how that decision was made and how to plan to accurately reflect reserve retirement costs in future budget documents?

General **Chavarrie**. The statute mandating the accrual accounting procedure requires that a uniform percentage contribution be made by all components. Hence the Department has no alternative but to use the uniform 51% for both active and reserve components. While we are aware that alternative rates could be calculated if the total force were split into sub-groups, the Department will not propose such a change to the statute for fiscal year 1985. We intend to examine this complex issue closely with the Board of Actuaries once it is in place.

VARIABLE HOUSING ALLOWANCE

Senator **Jepsen**. General Chavarrie, in your statement you ask the subcommittee to support increasing authorized reimbursements for travel and transportation expenses.

Now, I don't think there is any doubt that military members often are not reimbursed adequately for the expenses they incur when they move pursuant to permanent change of station orders.

But at the same time you are asking to increase these allowances, the Department is unwilling or unable to propose full funding for variable housing allowance, at least not at the level justified by the most recent survey. If this recommendation were approved, it would be the third year in a row that the variable housing allowance was not paid at the level authorized in the permanent law.

In our committee report on the 1984 authorization act, the committee asked for recommendations from the Department on how the authorization for VHA should be changed if it was not going to be fully funded.

We have not yet received those recommendations.

Can you give us any recommendation today about how this allowance should be altered since once again the Department is not funding VHA at the full authorized level?

General **Chavarrie**. In response to the committee report on the fiscal year 1984 authorization act, we tasked the services to form a joint study group to analyze the VHA program and to make a report to us with recommendations on what changes, if any, should be made to the program. The services have submitted their report to us, we have completed our review of it, and it is now at OMB for their evaluation. We expect to be forwarding it to the committee very shortly. Our recommendations on how the VHA should be altered will be contained in the report and therefore I would prefer not to specify those changes prior to our release of the report.

LEGISLATIVE PROPOSALS

Senator **Jepsen**. There are a number of bills and legislative proposals pending before the subcommittee, several of which the Department has not had an opportunity to comment on.

Would you please give me a short statement of the Department's views on the following:

First, S. 719, a bill to eliminate the Social Security offset from the Survivor Benefit Program, when the social security benefit is based solely on the employment of the SBP annuitant.

Second, S. 2411, a bill to alter procedures under the Uniformed Services Former Spouses Protection Act to permit the enforcement under that Act of certain otherwise unenforceable orders.

Third, S. 1474, a bill to authorize military commissary and exchange benefits to members of the Reserve components who have completed all eligibility requirements for retired pay except for obtaining the age of 60 years.

And finally S. 968, a bill to provide for the revision of the retired pay of certain retired members who were recalled to active duty between October 1, 1963 and October 1, 1971.

General **Chavarrie**. First, S. 719. DOD has not established a position on S. 719. This complex aspect of the Survivor Benefit Plan (SBP) must be completely analyzed to ensure equitable treatment of all survivors. DOD is now considering remedial legislation on the social security related features of the SBP in order to provide a more equitable integration method. S. 719 is one approach to the problem and its provisions are being reviewed to ascertain whether they should be included in such legislation.

Second, S. 2411. The Department supports the intent of this legislation, but we have not reached a final position within the administration due to the complexities of the issues involved. We are working actively to reach a fair and equitable position relative to this proposal.

Third, S. 1474. The Department has historically been opposed to the extension of partial retirement benefits to members of the Reserve components retired without pay or without pay for physical disability, based on the deferred characteristics of these benefits. The principle behind a deferred payment retirement system is that the recipient foregoes his or her retirement benefit until he or she is past working age. This is particularly relevant for part-time employment in the Ready Reserve.

We must also balance proposals to expand the eligibility base against possible impacts on the exchange and commissary systems such expansion may impose. We are now in the process of testing the concept of permitting Selected Ready Reserve members greater flexibility in utilizing the commissary benefits they earn by performing active duty for training. The Department's position, therefore, is that it would be prudent to wait on the outcome of the Selected Reserve Commissary Test prior to acting on S. 1474, so that we can better assess the the total force impacts of this proposal.

Finally, S. 968. Legislation similar to S. 968 has been before Congress for the past decade. DOD has supported similar legislation to S. 968 in the past, as it would provide equitable levels of compensation and fulfill a government commitment to members recalled to active duty from retirement who served two or more years during the period 1963 to 1973. The administration, however, has not yet established a position on this legislation.

BUDGET REDUCTIONS

Senator **Jepsen**. General Chavarrie, now that the administration and congressional Republicans have agreed on reductions in defense spending from the President's original request this year, there is some concern over where these cuts will be taken.

Earlier this week, Defense Daily quoted un-named administration officials as saying that the compromise defense budget will provide "enough funds, although with some reductions in pay and readiness."

General Chavarrie, I assume the Defense Department is well along in deciding where the cuts will come. Are there any areas of military compensation—pay levels, bonuses, whatever—which will be reduced from the level originally requested in the President's budget?

What about the fiscal year 1985 pay raise? The original budget request included a 5.5 percent cost-of-living increase for military members and a 3.5 percent increase for civilians effective next January 1.

Will there be any change to this pay raise request in the upcoming budget amendment?

General **Chavarrie**. No final decisions have been made on the budget reduction so it is not clear at this time if any cuts will be made in the military compensation area. Regarding the pay raise, as of this date, we are still supporting a 5.5 percent pay raise for military personnel.

MILITARY PAY RAISES

Senator **Jepsen**. I am pleased to see that the administration has asked for a 5½ percent pay increase for members of the armed forces. It is a much deserved raise. It is my understanding that the Department of Defense is preparing a list of reductions to conform with the recent agreement of federal spending cuts.

Does the Department of Defense plan on reducing the scope of the pay raise to reach part of the savings in outlays?

General **Chavarrie**. As of this date, we are still supporting a 5.5 percent pay raise for military personnel.

Senator **Jepsen**. How much money would be saved if the pay increase were held to 3½ percent?

General **Chavarrie**. Since each one percent increase in military pay costs approximately $597 million, including accrual for military retirement, a reduction of the pay raise to 3.5 percent would save approximately $1.2 billion.

Senator **Jepsen**. How much money would be saved if E-1 pay for E-1's under four months was reduced to $150.00 per month?

General **Chavarrie**. A reduction of basic pay for E-1's under four months to $150 per month would save approximately $555 million in basic pay in FY 1985 from the present projected costs, which assumes a 5.5 percent increase effective January 1, 1985.

Senator **Jepsen**. Compensation is obviously a factor in keeping career personnel, but at the present time our manpower pool is fairly large. What will happen in eight or ten years when there is very little competition in the private sector for jobs for young people; what sort of compensation must be offered then?

General **Chavarrie**. We must set compensation levels, whether now or 8 to 10 years from now, that are competitive with private sector pay—both on an overall basis and in specific skills—and that are fair to our men and women in uniform. If we continue to adhere to these fundamental compensation policies, we can attract and retain the required number and quality of military personnel to meet our manpower requirements.

Questions Submitted by Senator Alan J. Dixon

COST-OF-LIVING INCREASES FOR RECRUITS

Senator **Dixon**. Last year, I understand this committee recommended, and the Congress agreed, to withhold the annual cost-of-living increase for E-1's with less than 3 months of service, which basically means new recruits in basic training.

The committee apparently felt that pay levels for recruits in basic training were too high.

I want to ask each of the witnesses their opinion on this subject. In your views, will holding down recruit pay have any affect on your ability to meet your recruiting objectives, expecially as the economy improves?

ARMY

General **Mitchell**. First, the provision applies to those with less than 4 months not 3 months. As I recall the proceedings, the annual pay adjustment did not apply to E-1's with less than 4 months active duty since the Congress felt that could be done and still meet recruiting goals because of economic conditions. That really cannot be equated with pay levels that were too high—although the committee might have had that view. With specific regard to last year's adjustment, the term "less than 4 months active duty" needs to be replaced with "less than 4 months of service" if the feature is retained. The unfortunate use of "active duty" drives a tremendous administrative effort in the Reserve Components where by-day accounting is required. Further, common subsistence rates (separate rations, rations not available, emergency rations) are needed for all enlisted personnel. The implication is that subsistence should be less for E-1's under 4 months. Common quarters rates (with and without dependents rates) for all E-1's seem sensible.

In my opinion, it is advisable to provide an increase in recruit pay for fiscal year 1985. The pay adjustment can be targeted to focus on E-5 and E-6 plus W3 and W4; but, all pay grades would receive some increase.

NAVY

Admiral **Herberger**. We do not foresee any effect in fiscal year 1985. However, as unemployment declines and the military eligible youth population declines in the outyears, pay comparability with the youth market will be necessary. If the committee decides to again withhold the annual cost-of-living increases for E-1's with less than 4 months, I urge that the 4 months be active duty service, otherwise such a limitation is extremely difficult to administer.

MARINE CORPS

General **Mead**. In fiscal year 1984 Congress withheld the annual cost of living increase from E-1's with less than 4 months of service. The Marine Corps supported this action as a cost saving measure during a period of relatively difficult economic conditions in which many young Americans had limited employment options. Since then, the Nation has experienced a dramatic economic recovery—one that many economists predict will continue for several years. At the same time, we are entering a period of a declining qualified military applicant population. Under these conditions we are concerned that a continued widening of the gap between the entry level pay of a service member and the starting pay of a new entrant into the civilian job market may lead to recruiting difficulties.

AIR FORCE

General **Oaks**. We expect the average youth wages in the private sector to increase as the economy improves and the population of 18 year old youths declines throughout the remainder of the decade. Moreover, some evidence suggests that the demographic shift resulting in smaller numbers of new entrants will cause wages for these new entrants to the civilian workforce to rise at a higher rate than the wages for established members of the workforce. To the extent that private sector youth wages increase beyond what we pay our basic recruits, we will experience greater dificulty in achieving our recruiting objectives. For this reason, we believe it would be unwise to set a precedent of continually withholding annual active duty pay raises for E-1's with less than 3 months of service.

RETIREMENT REFORM PROPOSALS

Senator **Dixon**. What is your opinion of the retirement reform proposals of the Fifth Quadrennial Review of Military Compensation?

ARMY

General **Mitchell**. As you are aware, the report still must be considered a draft since the President has not released it—statute requires a quadrennial report to Congress by the President. LTG Chavarrie indicated in his opening statement that the report is currently being reviewed within the Administration. The Army lauds the 5QRMC for establishing a point of departure in compensation system analysis. But, given the uncertainty of this first-time assessment, we do not agree to acceptance of the proposed retirement system alternatives. The conclusions might be correct—but, we cannot afford to be wrong. Thus, it is my opinion that no changes should be made to the military retirement system based on the existing analysis and report.

NAVY

Admiral **Herberger**. The Fifth Quadrennial Review of Military Compensation (5th QRMC) conducted a landmark analysis of the military retirement system by examining the impact of proposed retirement system changes on the force structure of the services. Their report has been forwarded to the President for his action. It would not be appropriate for me to comment on the 5th QRMC report prior to the President's review.

MARINE CORPS

General **Mead**. The Fifth Quadrennial Review of Military Compensation (5th QRMC) report has been forwarded to the President and until his review is completed, it would not be appropriate to comment.

AIR FORCE

General **Oaks**. The Air Force conducted a thorough review of the QRMC's retirement options. We studied them from a number of viewpoints such as their impact on a member's lifetime earnings; their impacts on retention, particularly in the career force; how they would affect both current and new military members during the transition phase if one of these options were to be adopted; and most importantly, how they would affect readiness—in my view the primary purpose of the retirement system. We also studied their impacts on cost and whether these options would lead to a more stable system, one that is not subjected to the continued reviews and media coverage that has left our members uncertain and justifiably concerned about the future of the sytem.

Our conclusion after this review was that the QRMC had done a very thorough job, and we found a great deal we could agree with, particularly their conclusion that a decline in the value of the retirement system would hurt retention and the force structure. We found noteworthy the QRMC documentation that retirement after 20 years of service is more cost effective than a 30-year career. However, we also concluded that none of the QRMC's retirement options was satisfactory because the early withdrawal concept common to each did not appear to be a legislatively feasible or potentially enduring feature.

The principal concern is that if changes are eventually enacted, they must be the result of a deliberate process that preserves force readiness and honors commitments to those who are currently serving and already retired.

GRACE COMMISSION RECOMMENDATIONS ON MILITARY RETIREMENT

Senator **Dixon**. What are your thoughts on the merits of the Grace Commission proposals on military retirement? I would also like to get the comments of each of the witnesses from the military services on this question.

DEPARTMENT OF DEFENSE

General **Sherman**. The merits of the Grace Commission military retirement proposals are, in my personal opinion, limited to the basis upon which they were formulated, i.e., solely to reduce cost. I do not believe they have merit based upon the real question facing the U.S. Government: "Does the Uniformed Services retirement system effectively and at a reasonable cost serve to help accomplish national security objectives?" The issue is much broader than one of pure economics, however important.

The Grace Commission proposal would reduce the DOD accrual payment over the next 5 years fiscal year 1985–89) by about $80 billion. This would not reduce the Federal deficit, only the debt level. The actual outlay savings to be realized in the Treasury retirement trust fund are estimated to be about one half billion dollars over the next three years. The real concern, however, is what is projected to happen to the manpower force structure. The QRMC analysis predicts that the size of the DOD career force (service-members with greater than 4 years of service) will in the long run be reduced 22 percent for the enlisted force and about 15 percent for officers. The largest percentage of this reduction would occur in the more experienced portion of the career force or beyond the 10th year of service. This is exactly where the DOD has a problem in the enlisted force today and is projected to have one with officers in the near future. Accessions would be increased by about 18 percent for the enlisted force and 30 percent for officers. This magnitude of impact on and turbulence within the career force would have a disastrous effect on mission readiness and sustainability.

ARMY

General **Mitchell**. I believe it is useful to look first at the Grace Commission approach. As its name (President's Private Sector Survey on Cost Control) implies, the evaluation was oriented on cost reductions and tended to ignore offsetting factors such as readiness.

During 28 July 1983 testimony before HASC (Miltiary Personnel and Compensation Subcommittee), Mr. Lawler who appeared on behalf of PPSSCC noted that anlaysis was solely cost-based and did not consider force composition (manning and shaping)—this is a fatal flaw in approach because issue of national defense capability is ignored.

Invalid comparison is made between military retirement system and old-age pensions—given that, resulting conclusions are not meaningful.

Mr. Lawler commented that PPSSCC comparisons do not consider other estate-building aspects of private sector compensation—significant portions of private sector programs were ignored in comparisons.

Example of lack of in-depth analysis:

Circumstances: Half cost of living adjustments in military retired pay to age 62 at which time pay base will be recomputed as if full COLA's had existed then apply full COLA's thereafter.

Impact on force: Loss of some 41,000 careerists and requirement to access an additional 18,800 enlistees each year.

Conlcusion: Regardless of projected savings in retired pay, force composition impact wholly unacceptable.

In sum, the Grace Commission may have submitted viable recommendations in some areas; but, the military retirement system recommendations are not among those which warrant serious consideration.

NAVY

Admiral **Herberger**. The Grace Commission's proposals on military retirement have large, hidden costs and would be extremely harmful to national security if implemented. Their proposals are based upon a fundamental false assumption. The Grace Commission assumed that private sector pension plans are the correct standard against which the military retirement system should be measured. This is a false assumption because the nature of the military profession is essentially different from private sector careers. Recognizing this difference, the military retirement system is structured to achieve unique goals. In this regard, the General Accounting Office has found the military retirement system to be comparable to retirement plans for other high risk professions (police and firefighters) in the United States and to foreign military retirement systems. The Grace Commission largely ignored the effect of their proposals on force structure. If their proposals were implemented and other elements of military compensation were not significantly increased we would expect to experience the loss of large numbers of highly trained personnel. This is why I judge their proposals have large, hidden costs. Our national security needs could not be met with such a personnel turnover. We would be compelled to significantly increase current pay and bonuses simply to retain the current manpower force. Because of the drastic nature of the Grace Commission proposals, it would be impossible to predict exactly how large these increases would have to be. We can make such predictions only from historically observed retention change resulting from past changes to military compensation, and the Grace Commission proposals would radically change a fundamental element of military compensation. In addition to large increases in current costs, the Grace Commission proposals would adversely affect national security by encouraging return to longer careers for a majority of military members which proved so unacceptable in the past. We should not forget that our nation's leaders opted for the current military retirement system in 1948 in order to solve serious problems of stagnation and lack of youth and vigor that had been endemic in the military. The realities of modern warfare and cold war tensions make a return to the national security problems of the past unacceptable. In their analysis of the Grace Commission's military retirement proposals, the GAO and CBO essentially reached the same conclusions. I would, therefore, not recommend the implementation of any of the Grace Commission military retirement proposals.

MARINE CORPS

General **Mead**. As I understand them, the Grace Commission findings and recommendations would restructure the Uniformed Services retirement system without regard to its basic purpose, i.e., supporting the national security objectives as a force management tool. The potential reductions in retirement system costs obtained through implementation of the Grace Commission recommendations would substantially reduce individual benefits. Studies have shown that such changes would lead to an immediate, unacceptable degradation of our middle and seniors leaders, in terms of both numbers and quality.

AIR FORCE

General **Oaks**. The Grace Commission incorrectly assumed the military retirement system could be compared with private sector pension systems. This approach failed to recognize the military retirement system is not an old age pension plan. To the contrary, it is a force management tool designed to preserve a balance of youth and experience in the Armed Forces. By successfully accomplishing this objective, the system promotes readiness. The Grace Commission recommendations would dismantle the military retirement system. If they were enacted, the value of lifetime retired pay would be reduced by approximately 80 and 85 percent for typical officer and enlisted retirees, respectively. Under these conditions, the retirement system would no longer function as the services' primary career retention incentive. If this occurred it would be difficult if not impossible to preserve a combat-ready force unless massive increases in active duty pay or bonuses were coincidently enacted. The cost of these pays would largely offset the savings projected for the Grace Commission retirement recommendations.

COST-OF-LIVING INCREASES FOR RECRUITS

Senator **Dixon**. General Chavarrie, in your views, will holding down recruit pay have any effect on your ability to meet your recruiting objectives, especially as the economy improves?

General **Chavarrie**. Although recruiting success, or failure, depends upon a number of factors in addition to recruit pay, our experience since the late 1970s indicate pay is important. Among economic, social, and institutional considerations contributing to poor recruiting results in FY 1979, the erosion of a competitive level of pay for recruits must be considered a principal factor. Those pay trends were reversed in FYs 1980 and 1981 and current recruiting success must be attributed, in part, to that public and congressional support not only for adequate levels of recruit pay but also for other recruiting resources. Holding down recruit pay while the economy improves would make recruiting more difficult.

MILITARY RETIREMENT

Senator **Dixon**. General Chavarrie, I understand that the recently completed Fifth Quadrennial Review of Military Compensation has made some rather significant recommendations to reform the Military Retirement System. In layman's terms, could you describe the main features of these recommendations? What will happen to these recommendations? Will the administration be submitting a formal proposal to the Congress to reform military retirement?

General **Chavarrie**. The Fifth QRMC analyzed various options to the current retirement system and offered four alternatives for consideration. To date there have been no decisions made about the military retirement system as a result of the Fifth Quadrennial Review (QRMC) study effort. Since the retirement system is such a vital element of our force management and an essential part of the compensation system, the QRMC analysis is receiving the closest scrutiny by the leadership of the Department, the Services and the administration. We must ensure that change, if any, does not degrade our active force structure or our readiness capability.

Importantly, the retirement system must continue to support our defense requirements and recognize the needs of the men and women serving. Recognizing the importance of the retirement system and its interrelationship with other systems, it would be premature to speculate about modifications until the ongoing review is completed.

GRACE COMMISSION RECOMMENDATION ON ZONE C REENLISTMENT BONUS

Senator **Dixon**. General Chavarrie, the Grace Commission also criticized the current practice of paying reenlistment bonuses to enlisted members with between 10 and 14 years of service (Zone C). The Commission claimed that retention was already very high in these years, and that a reenlistment bonus was not very effective in increasing retention.

General CHAVARRIE. Our experience since selective reenlistment bonuses were authorized in 1980 for members in the 10 to 14 years of service group is that they are satisfactorily retaining trained personnel (e.g., Navy's nuclear petty officers) who are at their optimum in terms of training, age and operational experience to enter civilian industry at salary levels substantially above their military pay. Zone C selective reenlistment bonuses were authorized during a period when the services were experiencing abnormally high losses of NCOs and Petty Officers in the supervisory/mid-management levels of the enlisted force. It appears that the commission's recommendation that Zone C selective reenlistment bonus authority be eliminated is based on the very success of Zone C selective reenlistment bonuses in improving manning in the over 10 years of service force. The elimination of this authority would remove a proven mechanism for addressing current and future shortfalls in a segment of the career force and would have a negative impact on our ability to sustain the degree of readiness we need in certain critical skills.

Senator DIXON. General Chavarrie, the Grace Commission concluded that "Our analysis of Selected Reenlistment Bonus data revealed a variety of skill areas in which some or all zones were manned at or over 100 percent of desired levels and for which Selected Reenlistment Bonus payments were anticipated." The Grace Commission went on to point out that "fiscal year 1983 commitments for such skill areas or zones total $138.9 million." General Chavarrie, is the Grace Commission analysis correct? Do we pay reenlistment bonuses for skills that are 100 percent manned? Why? Were the dollar figures cited by the Grace Commission correct? Did DOD pay $138.9 million in reenlistment bonuses last year to skills that were already filled?

General CHAVARRIE. It is apparent that the Grace Commission did not fully understand the criteria used to designate military skills for the bonus. DOD agrees that selective reenlistment bonuses should not awarded to skills when both the overall manning and selective reenlistment bonus zones are projected to be manned over 100 percent. However, it is imperative that DOD retain the flexibility to apply the bonus for career force shortages in specific zones even when overall manning is projected to reach 100 percent. The Air Traffic Control (ATC) Career field in the Air Force is a good example. Selective Reenlistment Bonus is paid even though the overall manning is 103 percent. The first term force is manned at 104 percent; however, this only partially offsets the numerical shortfalls at grade E-6 and grade E-7. This flexibility optimizes cost-effective bonus use. The estimate is that DOD would not save by implementing the Grace Commission recommendations. Any reduction in SRB resources would be offset by decreased readiness resulting from loss of skilled personnel and increased training workload.

GRACE COMMISSION PROPOSALS FOR CHAMPUS SAVINGS

Senator DIXON. General Chavarrie, the Grace Commission also recommended that CHAMPUS stop paying for most inpatient and outpatient care of people living within a 40-mile radius of military hospitals.

The Grace Commission estimated a three-year savings of $1.2 billion from this proposal.

General Chavarrie, do you think the Defense Department should implement this recommendation of the Grace Commission?

General CHAVARRIE. No. Military Treatment Facilities are physically unable to handle all of the beneficiary population in their catchment areas, which is one reason for CHAMPUS' existence. To deny CHAMPUS assistance to beneficiaries who cannot receive care in the MTFs is tantamount to denying them any medical benefits.

Senator DIXON. Do you agree with the Grace Commission's projections of cost savings?

General CHAVARRIE. No. Not only did the Grace Commission use faulty inflation assumptions that overstated the savings even in their own terms, they also assumed a static approach to manning effects. There is no doubt that retention, force management and morale will be affected adversely, but the Commission analysis assumes away these effects. All of these effects will require additional costs to correct. Conversely, were the Department to expand the military treatment facilities so as not to deny medical benefits to the affected beneficiaries, the added costs of both facilities equipment and manpower would probably exceed any savings claimed.

Senator Dɪxᴏɴ. General Chavarrie, the Department's legislative program for this year includes a proposal to collect insurance benefits from private insurance companies who cover non-active duty personnel receiving care in military hospitals.

I notice this was also a recommendation of the Grace Commission.

When will this legislation be sent to the Congress?

General Cʜᴀᴠᴀʀʀɪᴇ. The Department has drafted such legislation, coordinated it internally, and transmitted it to the Office of Management and Budget for further action.

Senator Dɪxᴏɴ. What are the annual savings from this proposal once it is implemented?

General Cʜᴀᴠᴀʀʀɪᴇ. Should Congress enact the proposal as written, the Department estimates savings of $25 million in the first year, $250 million in the second year, and $250 million in the third year.

Senator Dɪxᴏɴ. How has the Department verified these savings? Do you know, for example, how many privately insured patients are treated at military hospitals?

General Cʜᴀᴠᴀʀʀɪᴇ. No, not precisely. We are basing our figures on estimates of what percentage of the non-active duty patients carry private insurance, and this figure is about 20 percent. CBO and the Grace Commission have made similar estimates from the same data. Translated into total patients that a military hospital treats, that 20 percent estimate would translate into a little over 10 percent, OASD (HA) is in the process of conducting a comprehensive survey in order to ascertain more precisely how many non-active duty patients carry private insurance.

Senator Dɪxᴏɴ. Does the Department plan to bill insurance companies or individual patients?

General Cʜᴀᴠᴀʀʀɪᴇ. The Department plans to bill insurance companies.

Senator Dɪxᴏɴ. Is there any possibility that private insurance companies could exclude potential military health care beneficiaries from coverage as a result of this proposal?

General Cʜᴀᴠᴀʀʀɪᴇ. Yes. Health insurance companies are regulated by the separate States, not the Federal Government. Therefore, while it is difficult to generalize, it seems likely that under some circumstances private employers and health insurers could devise agreements that would exclude beneficiaries of the military direct health care program. We are aware of no effective legal restrictions to obviate such a practice.

GRACE COMMISSION RECOMMENDATIONS ON MILITARY RETIREMENT

Senator Dɪxᴏɴ. General Sherman, are you familiar with the recommendations of the Grace Commission to reform military retirements?

General Sʜᴇʀᴍᴀɴ. Yes, I am familiar with the Grace Commission recomendations and I believe that they would not serve the best fiscal and national security interests of this Nation. The normal cost percentage for the final Grace proposal, calculated by the DOD Actuary in the same and prescribed manner as for the current retirement system, is 9.7 percent. This compares to 51 percent for the current system. The preceding normal cost percentages are based on a percent of basic pay, not basic military compensation. When the 9.7 percent figure is used as an input to the preceding QRMC comparative analysis, the Grace Commission plan costs one half as much as the best composite private sector plan across all sets of economic assumptions used. This is inconsistent with the Grace Commission observation that the military retirements system should be better than the best private sector plan.

Senator Dɪxᴏɴ. The recently completed Grace Commission study concluded that: the cost of the military retirement plan is far greater than that of good private sector plans (i.e., those of the top several hundred companies in the United States).

General Sherman, you just completed the 5th QRMC. Do you agree with the Grace Commission's conclusions?

General Sʜᴇʀᴍᴀɴ. No, I do not agree with the Grace Commission conclusions about the Uniformed Services retirement system. The Grace Commission concluded that the retirement system has a far greater cost than the private sector and further that it was not a necessary or useful force management tool. This latter, and most erroneous conclusion, is not supported by the evidence available from the past thirty years of servicemember behavior. Neither is it supported by the detailed examination and projection of how each compensation element, to include retired pay, contributes to producing the desired manpower force profile (i.e., numbers of people in each year of service). This will be more fully addressed in a later response.

The Grace Commission concluded that, on a percentage of payroll comparison basis, the Uniformed Services retirement system was 3.4 to 8.4 more costly than the better private sector plans (Table 2, page iii, Volume VI, Management Office Select-the set of assumptions and conditions of any system being compared to each of the other systems. This measures the cost of each system in the context of the system chosen as the common ruler. This is important when comparing public and private sector plans. Given this sensitivity, three principles are relevant for comparing systems:

1. Valuations comparing two or more groups of employees should use identical sets of assumptions.
2. A reasonable range of assumptions should be used because of the uncertainties of the assumptions over the long time horizon (50 to 80 years) used in the valuation methodology; and
3. The assumption sets chosen for use should be reasonable from both the managements' and members' points of view for each system.

To calculate an entry-age normal cost, the future experience of a group of new service entrants (or employees) is predicted. Their continuation rates, disability rates, normal retirement rates, death rates, survivorship characteristics, and salaries may be predicted using the appropriate historical data. Predicted yearly total salaries are calculated for the group over their projected employment lifetimes under the benefit plan. The retirement benefits, determined by the retirement plan characteristics, are combined with the experience factors to estimate the yearly total benefits predicted to be paid to the new employees over projections of their combined lifetimes, including those of their survivor beneficiaries.

The present value of the predicted yearly salaries and of the predicted yearly benefits are then calculated using an appropriate rate of interest.

The ratio: Present value of predicted benefits divided by present value of predicted salaries is the percentage normal cost of the benefits. It is a percentage of payroll for the *new* employee group that must be "set aside" to fully fund their retirement benefit. It can be viewed as the aggregate future value of benefits to be earned by the group, as they relate to the aggregate future salaries to be paid to the group during the employment period. It can also be viewed as the percentage of predicted payroll which, if laid aside in an interest bearing fund, would earn interest such that the accumulated principal and interest would just pay off the future benefits as they are predicted to come due until the last beneficiary dies. If an employer pays the annual normal cost and amortizes any existing unfunded liability, the cost for each generation of workers will be funded before the generation retires or expires.

B. COST COMPARISONS OF DIFFERENT RETIREMENT PLANS

Many past attempts have been made to examine the cost comparability of the Military Retirement System and old age pension plans in the private sector. The most recent attempt at such a cost comparison is contained in the President's Private Sector Survey on Cost Control (PPSSCC), in the Task Force Reports on the Office of the Secretary of Defense (OSD), and on the Department of the Air Force. Specifically, both reports concluded that the military plan is "over five times more costly than the better private sector plans." The OSD report stated that "the normal cost of good private sector plans is between 5 and 6 percent of payroll. The normal cost of the military plan is 35 percent of basic military compensation." This is a ratio of between 6 to 7 times more costly. These comparisons are incomplete and seriously in error, potentially causing decision-makers to have a significantly distorted view of the relative benefit costs.

This problem was partially corrected in the detailed text (but not in the Conclusions) of the Task Force Report on OSD where the additional employer costs due to Social Security and private sector capital accumulation plans were added to adjust the normal cost percentages. Further, the military figure was decreased to 69% because basic pay is only part of what is called "Basic Military Compensation" or BMC; BMC is commonly used as a surrogate for a salary equivalent for private sector comparisons. The result of these corrections is to lower the military payroll percentage to 41%, and raise the private sector's to 14%—a ratio of about 3 to 1—which is somewhat more reasonable but still incorrect. Table D-1 summarizes the above adjustments

TABLE D-1.—COMPARISON OF MILITARY AND PRIVATE SECTOR RETIREMENT PLANS BASED ON PPSSCC CALCULATIONS

[In percent]

Adjustment	Military	Private sector
Normal cost of retirement plan—individual employer percent of covered pay	51	6
Add 2 percent for private sector deferred compensation	51	8
Multiply military by 0.69 for covered pay	35	8
Add 6.2 percent employers social security cost on all pay	41	14

Additional adjustments beyond the PPSSCC calculations are necessary to correct both the military and private sector employer costs. Table D-2 summarizes these required changes based upon review by the Fifth QRMC. To assist the Fifth QRMC in this task a contract was let with Hay Associates. Much of the private sector data used in the remaining portion of this Appendix is drawn from the Hay Associates report which is contained at Attachment 1.

TABLE D-2.—COMPARISON OF MILITARY AND PRIVATE SECTOR RETIREMENT PLANS LINKAGE OF PPSSCC AND FIFTH QRMC VALUES

[In percent]

Adjustment	Military	Private sector
PPSSCC calculation	41	14
Adjust military social security (−1 percent for covered pay (only basic pay) and the free credit $1,200 credit (−1 percent)	40	14
Use Hay private sector normal cost of 8 percent for the PPSSCC normal cost of 6 percent (+2 percent)	40	16
Increase of 8 percent private sector normal cost by 21.6 percent to introduce military demographic assumptions equivalency (+2 percent)	40	18
Increase of private sector normal cost by 19 percent to introduce military economic assumptions comparison (5 percent CPI, 5.5 percent wage growth and 6 percent interest) (+2 percent)	40	20

Interestingly, the Task Force Report on the Air Force (Exhibit II-8, page 54) shows an average 10 percent private sector cost as a percent of pay and also quotes the Hay-Huggins value used in Table D-1; however, it goes on to use the 6 percent figure in its conclusions. The last two Table D-2 adjustments require explanation. Recall that earlier it was stated that the same assumption set must be used for valid comparisons. To accomplish this, the military demographic assumption set and economic assumption set were used. The 21.6 percent demographic adjustment upward to the private sector accounts for the increased military life expectancy values used by the DOD Actuary as well as a higher worker retention profile. The 19 percent upward adjustment for economic assumptions is because the private sector uses a higher wage increase of 6 percent and generally 2-2.5 percent real interest (7-7.5 percent). To measure the impact of using a range of economic assumptions (i.e., shows the cost from either the private sector view or the government's view), the three different economic assumption sets to be used are shown in Table D-3. The resulting employer percentages of payroll values and military to private sector ratios are shown in Table D-4.

TABLE D-3.—ECONOMIC ASSUMPTION SETS

[In percent]

	DOD	Private sector (Hay-Huggins)	Fifth QRMC
Inflation [CPI]	5.0	5.0	5.0
Wage increase	5.5	6.0	5.5

TABLE D-3.—ECONOMIC ASSUMPTION SETS—Continued

[In percent]

	DOD	Private sector (Hay-Huggins)	Fifth QRMC
Interest rates	6.0	7.0	7.5

Given the 5 percent CPI, the 6.0 percent interest rate (which produces a 1 percent real yield) is what the government must use for its return on long-term government securities. On the other hand, a 2.0-2.5 percent real yield (7.0 to 7.5 interest role) is what can be realized in the private sector with 2.0 percent being the most common value used in the past by private actuaries but now being revised upward to 2.5 percent. These economic assumption sets, when applied still using the military demographics, give a representative range of values and ratios significantly less than the 5 or 6 to 1 contained in the PPSSCC conclusions.

TABLE D-4.—COMPARISON OF MILITARY, CIVIL SERVICE AND PRIVATE SECTOR RETIREMENT PLANS FOR DIFFERENT ECONOMIC ASSUMPTIONS

[Employer cost as percent of pay]

Economic assumption	Military	Civil service	Private sector	Military to private sector ratio
DOD	40	30	20	2.0:1
Private sector (Hay-Huggins)	32	24	18	1.8:1
Fifth QRMC	27	20	17	1.6:1

There are yet two other dimensions to be added to this comparison to show the total story. The first entails adding in the employee or service member contributions (Social Security, private sector company capital accumulation plan savings, etc.) or costs and showing the net adjusted total cost as a percent of salary or pay. Table D-5 shows these values and ratios for the same assumptions used in Table D-4.

TABLE D-5.—COMPARISON OF MILITARY, CIVIL SERVICE AND PRIVATE SECTOR RETIREMENT PLANS

[Total cost as percent of pay]

Economic assumptions	Miltiary	Civil service	Private sector	Miltiary to private sector ratio
DOD	44	37	29	1.5:1
Private sector (Hay-Huggins)	37	31	27	1.4:1
Fifth QRMC	32	27	26	1.2:1

The final dimension deals with measuring adequacy at the point at which an individual first retires and the most commonly used relative measure is pay replacement ratios. These ratios attempt to measure how much of pre-retirement income (pay) must be replaced by other sources of income to avert a drop in the standard of living. The 1979 President's Commission on Pension Policy developed some ratio guidelines for married couples retiring in 1980 over selected income levels (6,500-50,000). These ratios along with similar ratios for a military member retiring at 30 years or a private sector retiree at age 65 where all private sector plans provide a full benefit are shown in Table D-6. Care should be exercised in viewing the comparison even though each person is retiring after a "full career" and where the plans provide maximum benefits. The difference between the comparison of employer costs (shown earlier in Tables D-1, D-2, D-4 and D-5) and employee retirement income is explained by the fact that benefits provided in the military are received after 20 to 30 years of service rather than age 65, and that the benefits are more fully indexed.

AUTOMOBILES FROM GUAM

Senator **Levin**. What were DOD's total costs in 1982, 1983 and thus far in 1984 to transport the FPOW's from Guam for servicemembers in (a) Japan/Okinawa and (b) Singapore?

DEPARTMENT OF DEFENSE

General **Chavarrie**. The below DOD costs pertain to transportation of foreign-manufactured privately owned vehicles from the alternate port of Guam for DOD servicemembers stationed in Japan. Costs are X $1,000. There were no shipments for servicemembers stationed in Singapore.

	Fiscal year—		
	1982	1983	1984 (thru March)
Cost element:			
PH-POE	49.1	112.4	72.0
Ocean	215.1	917.0	650.6
PH-POD	23.2	73.7	59.0
DOC-POD	14.0	53.2	42.1
Total	301.4	1,156.3	823.7

Description of cost elements:

PH-POE: Port handling and documentation costs at port of embarkation (Guam) based on rates charged to shipper services by the Naval Supply Depot, Guam.

Ocean: Ocean freight rates.

PH-POD and DOC-POD: Port handling and documentation costs respectively, at port of debarkation.

ARMY

General **Mitchell**. The Army's total costs in fiscal years 1982, 1983 and through March 31, 1984 in fiscal year 1984, to transport foreign made vehicles from Guam for Army personnel in Japan and Okinawa are as follows ($ in thousands). No Army personnel stationed in Singapore shipped a foreign made vehicle from Guam as an alternate port during that time.

	Fiscal year —		
	1982	1983	1984 (thru Mar. 31, 1984)
Cost element: [1]			
PH-POE	4.6	13.5	5.5
Ocean	20.3	110.4	49.7
PH-POD	7.0	30.7	13.5
DOC-POD	2.2	8.8	4.5
Total	34.1	163.4	73.2

[1] Cost elements are as follows:

PH-POE: Port handling and documentation cost at port of embarkation (Guam) based on rates charged to shipper services by the Naval Supply Depot, Guam.

Ocean: Ocean freight rates.

PH-POD: Port handling at the port of debarkation.

DOC-POD: Documentation cost at the port of debarkation.

The rates described above were applied using a weighted average of ports of debarkation.(i.e., United States east, west and gulf coasts), based upon the estimate by terminal personnel of distribution of shipment destinations.

NAVY

Admiral **Herberger**. The Navy's total cost to transport foreign manufactured vehicles for members in Japan (X$1000) were as follows:

TABLE D-6.—PRE-RETIREMENT REPLACEMENT INCOME RATIOS (PERCENT)

[Retirees at age 65/30 years of service]

Salary (BMC) level (000)	President's Commission on Pension Policy	Private sector percentile				
		90	75	Median	25	Military
10	78	143	118	102	86	97
20	66	119	101	87	75	83
30	60	110	95	79	67	77
40	57	105	90	75	64	71
50	55	100	86	70	60	67
60	[1] 52	100	85	69	59	64
70	[1] 50	98	84	68	58	62

[1] Estimated.

As can be seen from Table D-6 the military percentage is just below the median value for the private sector. All values are above the President's Commission values. Also, it should be noted that in 1982 over half of the military retirees BMC income just before retirement was in the range of $24-30,000. This is the "salary" value where the private sector median and military ratios are the closest.

Another and probably more useful way to compare the individual retirement benefit differences between the Uniformed Services and the private sector is to calculate the total present value of retirement life-stream earnings. To accomplish this across the 10,000-70,000 salary ranges, the individual annual value (1982 dollars) of the retirement earnings components must be known and treated separately for present value calculations. Tables D-7 and D-8 give these data and are compatible with data used to calculate percentages in Table D-6. The private sector data were obtained from the Hay Associates 1982 non-cash Compensation Comparison Survey data using the Hay benefit value methodology to put the data on a consistent basis. Table D-9 contains the life annuity multiplier to be used dependent upon the economic (CPI and interest) assumptions. Again, the life annuity factors shown are for either the DOD or QRMC economic assumption sets (Table D-3).

TABLE D-7.—ANNUAL INCOME FOR PERSONS RETIRING AT AGE 62 AND 20 YEARS OF SERVICE [YOS]—MILITARY AGE 39/43 AND 20 YOS

[Salary level at retirement dollars in thousands]

	10	20	30	40	50	60	70
1. Social security at age 62:							
Private sector	4,600	6,200	6,400	6,400	6,400	6,400	6,400
Military	3,700	5,200	6,300	6,400	6,400	6,400	6.400
2. Capital accumulation (thrift savings, and so forth)—Private sector only:							
90th percentile	1,919	4,034	5,720	7,392	9,069	11,136	12,977
75th percentile	1.337	2,604	3,936	4,990	6,203	7,495	8,786
Median	873	1,243	2,386	3,014	3,661	4,256	4,936
25th percentile	431	939	1,283	1,624	1,931	2,038	2,370
3. Retirement plan benefit:							
Private sector							
90th percentile	3,400	6,270	10,400	14,460	18,000	22,340	26,500
75th percentile	2,490	5,280	8,780	12,560	15,650	19,520	23,210
Median	1,850	4,320	7,280	10,640	13,400	16,820	19,990
25th percentile	1,310	3,360	5,930	8,800	11,050	14,000	16,770
Military	3,390	6,780	10,170	13,560	16,950	20,340	23,730

TABLE D-8.—ANNUAL INCOME FOR PERSONS RETIRING AT AGE 65 AND 30 YEARS OF SERVICE [YOS]—MILITARY AGE 49/43 AND 30 YOS

[Salary level at retirement dollars in thousands]

	10	20	30	40	50	60	70
1. Social security at age 62:							
Private sector	5,800	7,700	8,100	8,100	8,100	8,100	8,100
Military	4,600	6,500	7,900	8,100	8,100	8,100	8,100
2. Capital accumulation (thrift savings, and so forth)—Private sector only:							
90th percentile	3,166	6,210	9,437	12,197	14,964	18,374	21,411
75th percentile	2,205	4,296	6,494	3,233	10,235	12,366	14,497
Median	1,441	2,875	3,937	4,922	6,041	7,022	8,145
25th percentile	710	1,549	2,117	2,679	3,186	3,362	3,910
3. Retirement plan benefit:							
Private sector							
90th percentile	5,300	9,900	15,330	21,540	26,950	33,240	39,290
75th percentile	3,780	8,160	13,800	19,620	24,700	30,540	36,350
Median	3,000	6,800	11,700	16,740	21,000	26,340	31,520
25th percentile	2,110	5,700	9,870	14,660	18,800	23,640	28,300
Military	5,080	10,170	15,250	20,320	25,400	30,480	35,560

1. Military (all values assume 5 percent CPI)	Age					
	39	43	49	53	62	65
Interest:						
6 percent:						
Enlisted	29.1		22.5		14.6	13.0
Officer		28.9		22.3	16.5	14.6
7.5 percent:						
Enlisted	22.9		18.5		12.8	11.5
Officer		22.8		18.5	14.3	12.8

2. Private sector (CPI is assumed to be 5 percent but the indexing applied is shown for 0, 2 percent as well as 5 percent):	Age 62 (percent)			Age 65 (percent)		
	0	2	5	0	2	5
Interest:						
6 percent:						
Enlisted	9.5	11.2	14.6	8.8	10.2	13.0
Officer	10.5	12.4	16.5	9.7	11.3	14.6
7.5 percent:						
Enlisted	8.6	10.0	12.8	8.0	9.1	11.5
Officer	9.4	11.0	14.3	8.7	10.1	12.8

These combined data were used to calculate the total present value of retirement lifestream earnings for both the Uniformed Services and the private sector. These data are contained in Cases 1-6 in Attachment 2. Cases were constructed as follows:

RETIRE AFTER AGE[1]/YOS

Case	Uniformed service	Private sector	CPI (percent)	Interest (percent)
1,3[2]	39 or 43/20	62/20	5	6
2,4[2]	49 or 53/30	65/30	5	6
5	39 or 43/20	62/20	5	7.5
6	49 or 53/30	65/30	5	7.5

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[1] Lower age is enlisted, upper is officer.

[2] Cases 1, 2, 5, and 6 have indexed the private sector pension payment by 2 percent per annum. Cases 3 and 4 do not index this private sector pension payment.

The ratio of the two total present values was calculated over the full salary range. For the uniformed services the enlisted value was used at 10,000 to 20,000 for the age 62/20 YOS cases and 10,000 to 30,000 for the 65/30 YOS cases. The values at 30,000 and 40,000 in these respective cases are a blend of the enlisted and officer values.

TABLE D-10.—90TH PERCENTILE

Salary (BMC)	Case (age 62/20 YOS)			Case (age 65/30 YOS)		
	1	3[1]	5[2]	2	4[1]	6[2]
10,000	1.04	1.14	0.92	0.99	1.04	0.89
20,000	1.26	1.33	1.06	1.13	1.19	1.01
30,000	1.30	1.40	1.12	1.20	1.28	1.09
40,000	1.26	1.36	1.13	1.20	1.28	1.08
50,000	1.36	1.48	1.17	1.16	1.26	1.07
60,000	1.33	1.46	1.17	1.15	1.25	1.06
70,000	1.34	1.47	1.17	1.15	1.26	1.07

[1] Private sector pension not indexed for inflation.
[2] 7.5 percent vice 6 percent interest.

The 90th percentile private sector values have been used in keeping with the belief that the Uniformed Services should be better than the best private sector plans. The applicable portion of Table D-10 is from 20,000 to 60,000 for age 62/20 YOS and 30,000 to 70,000 for age 65/30 YOS. Table F-11 illustrates the average BMC values for each pay grade at the 20 YOS and 30 YOS career point. Table D-12 shows where the majority of retirements occur. As can be seen from Table D-11, the majority fall in the 25,000 to 32,000 salary (BMC at time of retirement) range. Using the applicable salary range (for each case) the retirement lifestream earnings for the Uniformed Services are about 30% higher than the 90th percentile private sector level for 20 YOS and 15% for the 30 YOS.

TABLE D-11.—ALL CASH BMC PAY GRADE AVERAGE

[Rounded to nearest thousand]

Pay grade	Years of service	
	20	30
0-7 to 0-10	71	[1]71-80-81
0-6	55	62
0-5	50	[2]51
0-4	[3]43	
0-3	[3]37	
0-3E	[3]38	
0-2E	[3]32	
0-1E	[3]26	
W-4	36	40
W-3	32	34
W-2	29	[2]30
W-1	26	
E-9	31	35
E-8	28	[2]32
E-7	25	29
E-6	22	
E-5	19	
E-4	16	

Legend:
[1] 0-7 stays at 71, 0-8 is 80.
[2] Maximum at 23 YOS, 0-5 and E-8 tenure only to 28 YOS (commissioned for 0-5).
[3] Maximum pre-20 YOS. Possible tenure is limited to fixed number of years of commissioned service (0-4 at 24, 0-3 and under to 20).

TABLE D-12.—DOD MILITARY RETIRED POPULATION DISTRIBUTION [1]

[Nondisabled excluding title III]

Pay grade	Total fiscal year 1982 population [2]			Fiscal year 1982 retirees [3]		
	Average YOS at retirement	Average age at retirement	Percent of total	Average YOS at retirement	Average age at retirement	Percent of total [2]
0-7/0-10	33-35	53-59	1	31-36	52-58	1
0-6	29	51	18	29	50	21
0-5	24	46	33	24	46	35
0-4	23	44	24	22	43	23
0-3/0-3E	23	43	7	22	41	6
0-2/0-1	23	43-44	2	22	40	....
W-4	28	48	4	27	46	5
W-3	23	43	5	23	42	4
W-2/W-1	22	43	6	22	41	3
E-9	26	45	7	27	46	10
E-8	23	43	14	24	42	22
E-7	22	42	41	22	41	45
E-6	21	41	30	21	41	21
E-5	21	42	9	21	41	1
E-4/E-1	21	42	....	21	41	....

Legend:

[1] All figures rounded to nearest year or percent.

[2] Percentages are done for officers (W-1/0-10) and enlisted separately.

[3] Populations are as follows: Total—Officers, 224,760; Warrants, 38,490; Enlisted, 774,785. Fiscal year 1982—Officer, 7,178; Warrants, 1,027; Enlisted, 23,717.

From these revised data one can find that although the military retirement plan is more generous than the private sector it certainly is not 5 to 6 times more generous in its total cost to either the employer (taxpayer) or the employee (service member). The same is true for the comparison of the total individual benefit. In fact, if as the PPSSCC recommended that the military retirement system could be better than the best private sector plans, it is not far off. However, that is not the real issue facing the U.S. Government. The real question remains, "Does the military retirement system effectively serve to help accomplish our national security objectives?" This issue is not only one of efficiency in terms of cost but more importantly does it (1) help provide the necessary number and mix of quality, experienced personnel, both active, reserve and on-call; (2) serve the needs of the individual service member in providing a stable basis for lifetime career planning; and (3) treat the taxpayer fairly. These are broader issues than one of pure economic, however important.

QUESTIONS SUBMITTED BY SENATOR CARL LEVIN

FOREIGN MANUFACTURED PRIVATELY OWNED VEHICLES

Senator LEVIN. I have in front of me an editorial that appeared in the Air Force Times last week. The editorial admits not only that service personnel received substantial shipment savings—$1,500-$3,500 per car—but also that the use of Guam as an alternate port "does constitute a special deal for the military and . . . encourages service families to buy foreign cars abroad. . . ." Do you believe the Department of Defense should be encouraging its personnel to purchase foreign made cars over comparable American-made cars through the use of this "special deal"?

DEPARTMENT OF DEFENSE

General CHAVARRIE. The Department of Defense does not encourage or discourage the purchase of a particular make of car, nor has the Department adopted rules which encourage purchase of foreign-made vehicles. The Department has established Guam as an alternate port to allow servicemembers assigned to Japan, Okinawa, and Singapore to use their permanent change of station entitlement to ship a vehicle, if they desire. The fact that only 1,200 cars were shipped from Guam last year for the approximately 50,000 servicemembers stationed in Japan and Okinawa is testimony that only a small percentage of transferring servicemembers have elected to use this entitlement. The Department, on the other hand, has always allowed domestic sales representatives in overseas post exchanges to provide a service for those desiring to purchase an American-made car.

ARMY

General **MITCHELL**. The Department of Defense has not established any policy intended to encourage auto sales of one make or manufacturing source over another. The establishment of Guam as an alternate port partially restores, as previously mentioned, an entitlement authorized by law (section 2634, title 10, United States Code). Servicemembers stationed in Japan and Okinawa can purchase either American or Japanese automobiles. The Department of Defense is not skewing its regulation to favor purchase of Japanese cars. On the contrary, it allows domestic automobile sales representatives in the post exchanges with a full range of comparable American products for the servicemembers to choose from. The price edge that certain auto manufacturers exercise over others in this case is a function of geographical chance and offers servicemembers an opportunity to recoup, in varying degrees, certain automobile related losses they experienced as a result of directed assignments.

NAVY

Admiral **HERBERGER**. The Navy neither encourages nor discourages purchase of any particular make of automobile. The use of Guam as an alternate port is available to service members stationed in Japan and Singapore regardless of the manufacture origin of the vehicle purchased on Guam.

MARINE CORPS

General **MEAD**. The Air Force Times is an independent newspaper. Accordingly, articles printed therein do not always reflect the official service position. Admittedly, the purchase of a Japanese-made car does result in a cost savings to Marines assigned to Japan/Okinawa. However, so does the purchase of an American-made car at one of the many American automobile concessions located on base in Japan/Okinawa.

AIR FORCE

General **OAKS**. We do not consider the use of Guam as a special deal. The procedures used in Guam are not that much different from those used in other parts of the world. In many overseas locations, USPOVs are prohibited from shipment by the local governments or because USPOVs cannot be repaired in the overseas area. In these instances, members may purchase a FPOV for use during their overseas tour and may subsequently return the FPOV to the United States at the end of their assignment at government expenses.

We do not believe DOD should be encouraging service members to buy Japanese-made automobiles; however, when the procedures are designed to help our people recoup the losses they incurred and provide them the same kind of treatment as members in other parts of the world, we do not consider the policy to be improper.

AUTOMOBILES FROM GUAM

Senator **LEVIN**. The Navy Times also ran an article last week on the issue, reporting that "Defense Department officials said the issue is being blown out of proportion." A recent article in the Pacific Stars and Stripes boasts about the benefits of savings of $3,000 to $6,000 on Japanese cars for servicemembers and tells them where to seek information on how to take "advantage of this privilege." Considering the circumvention of the voluntary quota on Japanese imports and U.S. taxpayer financed shipment of these cars it is safe to assume that Congress may call a halt to the designation of Guam as an alternate port. Given that fact, what legislative recommendations do you propose to make allowance for every servicemember serving in Japan and Okinawa who incurs added auto related costs as a direct result of that assignment? Will you have that proposal to the committee by April 30?

DEPARTMENT OF DEFENSE

General **CHAVARRIE**. As mentioned in question 5, DOD proposed legislation 98-79 "To amend section 2634 of title 10 and section 406 of title 37, United States Code, to provide for storage of a motor vehicle in lieu of transportation, and for other purposes." This bill would authorize storage at government expense of a privately owned vehicle during a member's overseas assignment. While this would not provide complete compensation for the servicemembers' auto related costs such as depreciation in storage, the cost of a second vehicle at the foreign station, etc., it would provide an alternative for those personnel assigned to areas such as Japan, Okinawa, and Singapore where they are unable to take their cars. On may 29, 1983, the Office of Management and Budget rejected this proposal as not being cost effective.

ARMY

General **MITCHELL**. Should Congress determine that Guam is inappropriate as an alternate port for Japan/Okinawa and Singapore, it is likely that DOD proposed legislation 98-79, or a similar version, would be reconsidered to provide some measure of relief from financial losses imposed by this overseas assignment. Every effort would be made to have such a proposal before the committee by 30 April 1984.

NAVY

Admiral **HERBERGER**. The Navy has sponsored draft legislation which would authorize storage of a privately owned vehicle at government expense when shipment overseas is precluded. While this initiative will not solve the problem, it will provide another option to those members assigned to Japan and Singapore who wish to keep their late model vehicles. Based upon OMB comments regarding costing methodology, the services are recosting the legislative proposal.

MARINE CORPS

General **MEAD**. If Congress does halt the designation of Guam as an alternate port, the Marine Corps, in conjunction with the other services, will review the issue to determine the most appropriate course of action.

AIR FORCE

General **OAKS**. If Congress were to call a complete halt to the use of Guam as an alternate port this year, we would recommend a program which would allow members the option of storing or selling their POV incident to their assignment to Japan/Okinawa and, upon providing proof that costs were incurred, we would provide a government subsidy equivalent to what the member would have spent to have a POV stored. However, before settling on this as the optimum solution, the services would need to study the situation to determine if there were more equitable or more cost effective alternatives. One alternative, which appears to present a resonable compromise, would be to maintain the use of Guam for members who could show that they actually incurred a loss incident to their assignment to Japan. Other alternatives, such as an increased cost-of-living allowance, could prove to be more expensive to taxpayers than the current system. But, all should be examined before a final decision is made.

ALTERNATE PORTS FOR AUTOMOBILE SHIPMENTS

Senator **LEVIN**. What is the total number of U.S. servicemembers who have incurred extra automobile-related costs occasioned by their assignment to (a) Japan/Okinawa and (b) Singapore during fiscal year 1982, fiscal year 1983, and thus far in fiscal year 1984?

DEPARTMENT OF DEFENSE

General **CHAVARRIE**. We do not know how many U.S. servicemembers incurred the extra costs, since we do not keep data on the number that own a car, those that sold or stored their car on assignment to the above stations, etc. It would be reasonable to expect that most servicemembers who own a car would experience extra auto-related expenses as a result of their Japan, Okinawa, or Singapore assignment. The following total number of servicemembers assigned in the Far East indicates the potential numbers affected by such costs.

	Fiscal year—	
	1982	1983
Japan/Okinawa	51,015	48,711
Singapore	30	30

ARMY

General **Mitchell.** While there has never been a survey to determine an average out-of-pocket cost incurred by servicemembers stationed in Japan/Okinawa or Singapore, it must be presumed that all servicemembers who are entitled to ship a POV under ordinary circumstances but prohibited from doing so by DOD embargo had to make some disposition of their POV prior to PCS. Accordingly, it is unknown how many of these eligible servicemembers would have taken advantage of this entitlement had it been available. Therefore, it is impossible to determine the exact number of U.S. servicemembers who have incurred extra POV related costs. To provide a feel for the numbers involved, there are over 2,000 Army personnel alone assigned to Japan/Okinawa.

NAVY

Admiral **Herberger.** The total number of Navy service members who have been assigned to Japan/Okinawa and Singapore during fiscal year 1982, fiscal year 1983, and thus far in fiscal year 1984 are as follows:

	Fiscal year—		
	1982	1983	1984
Japan	2,310	1,552	211
Okinawa	823	628	102
Singapore	0	12	0

It is not known how many were forced to sell or store one or more cars incident to assignment to those areas; however, it is reasonable to state that every service member who owned one or more cars incurred some extra automobile related expense. In addition, service members stationed in these areas who purchased vehicles for use and then necessarily sold them incident to transfer from these areas also incurred an extra expense.

MARINE CORPS

General **Mead.** An embargo was imposed for DOD members on shipment of POVs to Japan/Okinawa effective 1 May 1977. No vehicles manufactured after 31 March 1976 may be shipped to Japan or Okinawa. The figures below reflect the total number of Marines assigned to Japan/Okinawa and Singapore. While it is recognized that every Marine assigned does not incur extra automobile-related costs, data is not available on the number of Marines who actually possessed a USPOV in the United States or the number who purchase a Japanese made POV for use in Japan/Okinawa or Singapore. It is estimated, however, that the vast majority of all Marines permanently assigned have incurred extra automobile-related costs occassioned by their transfer. This encompasses (a) the relocation and storage costs for a POV left in the United States, and/or (b) the selling and purchase expenses for the currently owned/replacement vehicles within CONUS and Japan/Okinawa and Singapore. Manpower statistics for those Marines assigned to Japan/Okinawa and Singapore are as follows:

	Fiscal year—		
	1982	1983	1984 (to date)
Japan/Okinawa [1]	16,800	15,726	5,164
(Accompanied tours)	(397)	(485)	(109)

	Fiscal year—		
	1982	1983	1984 (to date)
(Unaccompanied tours)	(16,403)	(15,241)	(5,353)
Singapore	3	3	2

[1] Although this total includes the number of Marines assigned to Japan/Okinawa on unaccompanied tours of duty who are not entitled to ship a POV to/from overseas, these Marines are nevertheless required to store, sell or leave their POVs in the United States, thus incurring the additional costs associated with PCS assignment to Japan/Okinawa.

AIR FORCE

General Oaks. We are unable to provide the precise number of personnel who incurred extra automobile-related costs incident to their assignment to Japan/Okinawa. However, from our 1983 PCS Cost Survey we determined that approximately 30 percent of our people assigned overseas had to sell an automobile at a median loss of $1,135. An additional 15 percent indicated they stored a car and incurred a median out-of-pocket cost $1,114 in depreciation. Since the Air Force has approximately 14,400 members in Japan, we estimate 6,480 members incurred out-of-pocket costs of well over $1,000. However, we believe this is a conservative estimate of the impact since any storage costs a member may have incurred are not included. Further, it is anticipated that the number of people, who had to sell or store a car would be greater for assignments to Japan since no USPOVs may be shipped to Japan/Okinawa.

FOREIGN MANUFACTURED PRIVATELY OWNED VEHICLES

Senator Levin. What is the per-car cost to the taxpayers of shipping Japanese-made cars routed through Guam, as opposed to similar costs paid by Japanese auto manufacturers who ship directly from Japan to the United States?

DEPARTMENT OF DEFENSE

General Chavarrie. The above data for fiscal year 1984 through March of 505 cars shipped for a cost of $823,700 indicate a per-car shipment cost of $1,631. These cars are not routed "through" Guam, but are purchased new on Guam from dealers and then shipped as USPOVs since Guam is a U.S. territory. No information is available on shipping costs paid by Japanese auto manufacturers for shipment from Japan to the United States.

ARMY

General Mitchell. The average per-car cost to the U.S. taxpayers of shipping a Japanese-made car from Guam to the United States in fiscal year 1984 is $1,926. There is no data available to the Department of Defense regarding per-car shipping costs to the United States paid by Japanese automobile manufacturers who ship directly from Japan to the United States.

NAVY

Admiral Herberger. Information on cost of shipping for Japanese auto manufacturers is not available. Based on available information, they are not required to file with the Maritime administration and therefore there is no available record of cost.

MARINE CORPS

General Mead. The per-car cost to the U.S. taxpayers of shipping Japanese-made cars routed through Guam for the Marine Corps is $1,236. This cost is derived by averaging the total cost of shipping by the total number of Marines shipping POVs. Cost figures are not available from Japanese auto manufacturers shipping directly from Japan.

AIR FORCE

General Oaks. We were unable to determine the amount paid by the Japanese auto manufacturers for shipping POVs to the United States; however, based on the information provided by the port operators at Guam, we estimate the average per-car cost of shipping a car from Guam to the United States is $1,662.

AUTOMOBILES FROM GUAM

Senator **Levin**. What were DOD's total costs in 1982, 1983 and thus far in 1984 to transport the FPOW's from Guam for servicemembers in (a) Japan/Okinawa and (b) Singapore?

DEPARTMENT OF DEFENSE

General **Chavarrie**. The below DOD costs pertain to transportation of foreign-manufactured privately owned vehicles from the alternate port of Guam for DOD servicemembers stationed in Japan. Costs are X $1,000. There were no shipments for servicemembers stationed in Singapore.

	Fiscal year—		
	1982	1983	1984 (thru March)
Cost element:			
PH-POE	49.1	112.4	72.0
Ocean	215.1	917.0	650.6
PH-POD	23.2	73.7	59.0
DOC-POD	14.0	53.2	42.1
Total	301.4	1,156.3	823.7

Description of cost elements:
PH-POE: Port handling and documentation costs at port of embarkation (Guam) based on rates charged to shipper services by the Naval Supply Depot, Guam.
Ocean: Ocean freight rates.
PH-POD and DOC-POD: Port handling and documentation costs respectively, at port of debarkation.

ARMY

General **Mitchell**. The Army's total costs in fiscal years 1982, 1983 and through March 31, 1984 in fiscal year 1984, to transport foreign made vehicles from Guam for Army personnel in Japan and Okinawa are as follows ($ in thousands). No Army personnel stationed in Singapore shipped a foreign made vehicle from Guam as an alternate port during that time.

	Fiscal year —		
	1982	1983	1984 (thru Mar. 31, 1984)
Cost element: [1]			
PH-POE	4.6	13.5	5.5
Ocean	20.3	110.4	49.7
PH-POD	7.0	30.7	13.5
DOC-POD	2.2	8.8	4.5
Total	34.1	163.4	73.2

[1] Cost elements are as follows:
PH-POE: Port handling and documentation cost at port of embarkation (Guam) based on rates charged to shipper services by the Naval Supply Depot, Guam.
Ocean: Ocean freight rates.
PH-POD: Port handling at the port of debarkation.
DOC-POD: Documentation cost at the port of debarkation.

The rates described above were applied using a weighted average of ports of debarkation (i.e., United States east, west and gulf coasts), based upon the estimate by terminal personnel of distribution of shipment destinations.

NAVY

Admiral **Herberger**. The Navy's total cost to transport foreign manufactured vehicles for members in Japan (X$1000) were as follows:

	Fiscal year—		
	1982	1983	1984 through March 1984
Cost element:			
PH-POE	25.0	40.5	32.7
OCEAN	109.2	330.3	295.2
PH-POD	11.8	26.6	26.8
DOC-POD	7.2	19.2	19.1
Total	153.2	416.6	373.8

Description of the cost elements:
PH-POE: Port handling and documentation costs at port of embarkation (Guam). This is based upon rates charged to shipper services by NSD Guam.
OCEAN: Ocean freight rates.
PH-POD and DOC-POD: Port handling and documentation costs respectively, at port of debarkation.

MARINE CORPS

General **Mead**. The Marine Corps costs to transport POVs from Guam were:

[Dollars in thousands]

Fiscal year:	*Costs*
1982	$11.8
1983	61.6
1984 (to date)	48.0

Once again, a differentiation between Japan/Okinawa and Singapore cannot be made.

AIR FORCE

General **Oaks**. Based on information obtained from the port operator at Guam, the Air Force's costs for shipping automobiles from Guam were:

Fiscal year:	*Costs*
1982	$108,000
1983	539,000
1984 (thru Mar. 1984)	339,000

The cost figures also include Air Force Federal civilians who were returning from assignments in Japan and Okinawa. The Air Force does not authorize Guam as an alternate port for personnel assigned to Singapore.

ALTERNATE PORTS FOR AUTOMOBILE SHIPMENTS

Senator **Levin**. Compared to the totals provided in response to Item 1 above, what was the number of USPOVs and FPOVs shipped in fiscal year 1982, fiscal year 1983, and thus far in fiscal year 1984 through Guam for those servicemembers stationed in (a) Japan and (b) Singapore?

DEPARTMENT OF DEFENSE

General **Chavarrie**. Records indicate no U.S. manufactured vehicles have been shipped through Guam for servicemembers stationed in Japan and Singapore, probably because U.S. cars can not be taken into these countries by them. Separate records are not maintained for shipments of vehicles for members stationed in Singapore; however, shipping officials' experience indicates none were shipped from fiscal year 1982 to present. The total shipments from Guam for servicemembers stationed in Japan were as follows:

Fiscal year:	*Shipments*
1982	402
1983	887
1984 (thru Mar.)	505

ARMY

General Mitchell. There were no US manufactured vehicles shipped from Guam as an alternate port for Army personnel stationed in Japan and Singapore in fiscal year 1982, fiscal year 1983 and thus far in fiscal year 1984 because no U.S. POVs are allowed shipment into Japan and Singapore. Furthermore, members in those countries who order U.S. POVs specify delivery within the U.S. and not on Guam. The following numbers of foreign manufactured vehicles were shipped from Guam as an alternate port for Army military and civilian personnel stationed in Japan; none of our members in Singapore shipped a POV from Guam as an alternate port.

Fiscal year:	*Vehicles*
1982	38
1983	106
1984 (thru 31 Mar. 1984)	38

NAVY

Admiral Herberger. The total numbers of Navy personnel transferred to Japan/Okinawa and Singapore in fiscal year 1982, fiscal year 1983 and thus far in fiscal year 1984 are:

	Fiscal year—		
	1982	1983	1984
Japan	2,310	1,552	211
Okinawa	823	628	102
Singapore	0	12	0

The personnel ordered to Japan/Okinawa and Singapore did not ship vehicles through Guam. Members ordered from those locations may utilize Guam as an alternate port. Memorandum records from Naval Supply Depot Guam do not indicate any shipment of U.S. manufactured vehicles under alternate port entitlements for members transferred from Japan or Singapore.

The total numbers of foreign manufactured vehicles shipped for Navy service members and civilian employees transferred from Japan are as follows:

Fiscal year:	*Vehicles*
1982	204
1983	317
1984 (though Mar. 1984)	225

Memorandum records were not maintained for shipments for members in Singapore, however, terminal experience indicates no such shipments were made in fiscal year 1982, fiscal year 1983, and fiscal year 1984 through March.

MARINE CORPS

General Mead. The exact figures of POVs shipped through Guam are unavailable as the billings are provided in measurement tons, vice individuals POVs. The approximate numbers of POVs shipped through Guam for Marines are:

Fiscal year:	*POV's*
1982	16
1983	47
1984 (to date)	29

Automobiles purchased in Guam are considered to be USPOVs because Guam is a territory of the United States. Therefore, no distinction is possible between USPOVs and FPOVs from available data. Since the Marine Corps only has 6 Marines assigned to Singapore, the vast majority of POVs shipped through Guam are for servicemembers stationed in Japan.

AIR FORCE

General Oaks. A point of clarification is required on the definition of a USPOV. It is our understanding that since Guam is a territory of the United States, vehicles purchased and shipped from Guam are considered USPOVs regardless of the manufacturer. No records are maintained to help us differentiate between vehicles manufactured in the U.S. or a foreign country. Therefore, the following information is provided showing the number of automobiles shipped from Guam for Air Force personnel assigned in Japan and Okinawa.

NUMBERS OF AUTOMOBILES SHIPPED FROM GUAM

Number of shipments	Fiscal year—		
	1982	1983	1984 (through March 84)
Air Force (Japan/Okinawa)	144	410	204

Air Force federal civilian employees returning from Japan and Okinawa are also included in these figures. The Air Force does not authorize personnel assigned in Singapore to use Guam as an alternate port.

FOREIGN MANUFACTURED PRIVATELY OWNED VEHICLES

Senator **Levin**. As to the total costs responsive to Item 3 above, what portion in dollars is associated with FPOV shipment on U.S. military vessels, and what portion related to FPOV shipment on U.S. private-line vessels under contract with DOD? Response to this question should include a brief description of each cost element included in the computations.

DEPARTMENT OF DEFENSE

General **Chavarrie**. No data is available on the shipment of POVs to CONUS by U.S. military vessels (Military Sealift Command), however, shipping officials' experience from the Navy port terminal in Guam indicates that such shipment is extremely rare. The total DOD costs for shipment of foreign-manufactured POVs on U.S. private-line vessels under contract to DOD is the same as indicated in question 3.

ARMY

General **Mitchell**. No foreign made, foreign purchased vehicles are shipped on U.S. military vessels or U.S. private-line vessels from Guam. Shipment of USPOVs on U.S. military vessels is extremely rare; most USPOV shipments are aboard U.S. private-line vessels under contract with the Department of Defense. Description of cost elements for shipment of USPOVs aboard U.S. flag vessels is detailed in the previous answer.

NAVY

Admiral **Herberger**. No data is available on the shipment of POVs destined for CONUS by U.S. military vessels (Military Sealift Command); however, NSD Guam terminal experience is that POV shipments by MSC vessel are very rare.

The total costs for POV shipment relate entirely to private-line vessels under contract with DOD. Navy's total costs to transport foreign manufactured vehicles for service members in Japan (X $1,000) are as follows:

	Fiscal year—		
	Fiscal year 1982	Fiscal year 1983	Fiscal year 1984 through March 1984
Cost element:			
PH–POE	25.0	40.5	32.7
Ocean	109.2	330.3	295.2
PH–POD	11.8	26.6	26.8
DOC–POD	7.2	19.2	19.1
Total	153.2	416.6	373.8

A brief description of each cost element follows:

PH–POE: Port handling and documentation costs at the part of embarkation (Guam). This is based upon rates charged to shipper services by NSD Guam.

Ocean: Ocean freight rates

PH–POD and DOC–POD: Port handling and documentation costs, at port of debarkation.

MARINE CORPS

General **Mead**. No military vessels are used to transport POV's from Guam. Only U.S. private-line vessels under contract with MSC were used. The cost to ship POVs and the associated cost elements are as follows:

	Fiscal year—		
	1982	1983	1984 (to date)
Port handling (port of embarkation	$1.9	$6.0	4.2
Ocean shipment	8.5	48.9	38.0
Port handling (port of debarkation)	0.9	3.9	3.4
Documentation	.5	2.8	2.4
Total	11.8	61.6	48.0

[1] All costs in thousands of dollars.

COST ELEMENT DESCRIPTION

Port handling (port of embarkation).—The actual costs of handling and documenting the POV at the port of embarkation (Guam). Based upon rates charged to shipper services by Naval Supply Depot, Guam.

Ocean shipment.—The actual costs of ocean vessel transportation for each POV from port of embarkation to port of debarkation.

Port handling (port of debarkation).—The actual costs of handling the POV at the port of debarkation.

Documentation.—The actual costs to prepare, distribute and finalize the documentation pertaining to POV shipment at the port of debarkation.

AIR FORCE

General **Oaks**. Most POV shipments from Guam are aboard U.S. private-line vessels under contract with DoD. According to the port handlers at Guam the shipment of automobiles aboard military vessels is very rare.

The Air Force's total cost (in thousands) of transporting POVs from Guam by cost element is as follows:

	Fiscal year—		
	1982	1983	1984 through March 1984
Cost element: [1]			
PH-POE	$17.6	$52.4	$29.6
Ocean	77.1	427.4	267.7
PH-POD	8.3	34.4	24.3
DOC-POD	5.0	24.8	17.4
Total	108.0	539.0	339.0

[1] Description of cost elements:
PH-POE: Port handling and documentation cost at port of embarkation (Guam) based on rates charged to shipper services by the Naval Supply Depot, Guam.
Ocean: Ocean freight rates.
PH-POD: Port handling at the port of embarkation.
DOC-POD: Documentation cost at the port of debarkation.

AUTOMOBILES FROM GUAM

Senator LEVIN. Given the clear intents of Congress to decrease the balance of payments deficit by restricting government purchase and shipment of FPOVs, how does DOD justify its decision to allow designation of Guam as an alternate port so that GIs can buy Japanese POVs and ship them home?

DEPARTMENT OF DEFENSE

General CHAVARRIE. Servicemembers on a permanent change of station overseas have an entitlement by law to ship a privately owned vehicle from the port serving their old duty station to the port serving their new duty station. Unfortunately, those assigned to Japan/Okinawa and Singapore may not exercise this entitlement because of a DOD embargo on shipping a vehicle to Japan, and a prohibitive tax and right-hand drive requirement in Singapore. Servicemembers assigned to these countries must therefore either store their car at their expense or sell it prior to their Japan/Singapore permanent change of station. Once in the country, they must go without a car or purchase a vehicle suitable to their location's requirement, a car they may drive only while there. They must sell this car prior to their return to the U.S. because it complies with different emission and safety regulations than ours and is too expensive to convert. Each of the Service Secretaries elected to designate Guam an alternate port for the shipment of servicemembers's vehicles for those assigned to Japan, Okinawa, and Singapore in reponse to the unique hardships placed on service personnel there. This designation, along with February 1, 1984 changes to the Joint Travel Regulations, is a tightening of previous rules that permitted the shipment of additional foreign-manufactured vehicles at government expense.

ARMY

General MITCHELL. Servicemembers on permanent change of station overseas may ship a privately owned vehicle from the port serving their old duty station to the port serving their new duty station. However, servicemembers assigned to Japan/Okinawa and Singapore may not exercise this entitlement because of the DOD embargo on shipping U.S. privately owned automobiles to those areas. By allowing servicemembers to use Guam as an alternate port when reassigned, the loss of this entitlement is partially restored. Since Guam is a U.S. territory, automobiles purchased there, whether of foreign or domestic manufacture, are considered to be U.S. automobiles for government shipping purposes. This is the same consideration given to foreign manufactured automobiles purchased in the continental United States.

NAVY

Admiral HERBERGER. Personnel ordered to Japan and Singapore incur several unreimbursed expenses. Specifically, they are precluded from taking their automobiles to Japan or Singapore. The cost of storage or the loss through sale is not reimbursed. Once in the overseas area they buy automobiles conforming to the local automobile standards thereby incurring a second expense. Upon departure from the overseas area, they sell the automobiles they used as these automobiles do not conform to United States standards, and they incur the expense associated with the loss on the sale. To mitigate these expenses, it has been decided to continue the policy of permitting these service members to ship a vehicle—regardless of whether of United States or foreign manufacture—from Guam and require the service member to pay for only the portion of the shipping cost exceeding the cost that would have been incurred if the vehicle were shipped from the port normally servicing the overseas duty station.

MARINE CORPS

General MEAD. Guam was designated as an alternate port strictly for the purpose of mitigating the financial hardships placed on Marines and other servicemembers assigned to Japan/Okinawa and Singapore. It was never the intent of this designation to circumvent the intent of Congress to decrease the balance of payments deficit by restricting government purchase and shipment of FPOVs. We believe that the small impact on our balance of payments caused by the shipment of so few automobiles is justified by the reduction of the financial burden placed on servicemembers serving in Japan/Okinawa and Singapore.

AIR FORCE

General **Oaks**. The rationale for authorizing Guam as an alternate port was to help compensate servicemembers for the out-of-pocket costs they incurred incident to their assignment to Japan/Okinawa.

Servicemembers stationed in Japan and Okinawa are prohibited from taking post-1976 cars to Japan because of strict emission standards that U.S. cars do not meet. Members must therefore either store these cars at their expense or sell them prior to their Japan assignment. Once in Japan, they must go without a car or purchase a Japanese vehicle, a car they may drive only while there. They must sell this car prior to their return to the U.S. because Japanese cars comply with different emission and safety regulations than ours and are too expensive to convert.

In view of the hardships placed on our servicemembers stationed in Japan and Okinawa, each of the Service Secretaries designated Guam as an alternate port for the shipment of vehicles. Although you indicate this designation encourages U.S. service personnel to purchase Japanese-made vehicles, the recent regulation changes have in fact considerably restricted the use of Guam as an alternate port and will reduce the number of automobiles shipped to the United States at government expense.

COST-OF-LIVING ALLOWANCE

Senator **Levin**. What, if any, alternative approaches—including variable cost of living allowance adjustments, stipends, specific cost reimbursements, etc.—has DOD considered?

DEPARTMENT OF DEFENSE

General **Chavarrie**. The Department has not considered a cost-of-living allowance for those stationed in Japan or Singapore because there is no statutory authority to do this and because we do not consider COLA a proper means to compensate members for this kind of expense. COLA is designed to defray the average excess living costs (excluding housing) a member experiences in a particular area overseas to similar living costs in the U.S.

We also consider a specific cost reimbursement or stipend to be used to either ship home an FPOV or used as a down-payment on a U.S. made vehicle extremely cost prohibitive. To be equitable, such an allowance would have to be paid to all servicemembers stationed in those overseas areas exempt from the restrictions on shipment of FPOWs (areas where there are inadequate facilities for the repair of USPOVs or USPOVs are not permitted to be imported). Such an allowance would also provide for the taxpayer to contribute to the purchase of a servicemember's vehicle. The Department considers government paid storage of one member's vehicle in lieu of shipment during an overseas assignment as a viable alternative. We have attempted to obtain authority for this allowance. Such storage would provide some compensation for the hardships servicemembers transferred to overseas areas such as Japan/Okinawa and Singapore experience because they are prohibited from taking their vehicles with them. Unfortunately, this initiative was not approved in the FY84 DOD Authorization Bill. We continue to support government paid vehicle storage as proper compensation for those personnel experiencing extra auto transaction costs.

Another alternative not mentioned is the effort to exempt servicemembers' vehicles from Japanese emission requirements. Under the current Status of Forces Agreement, the Japanese Government has imposed its licensing standards, including those regarding emission controls, on privately owned vehicles belonging to U.S. military personnel stationed in Japan and Okinawa. If servicemembers were exempt from these restrictions, a May 1977 DOD-imposed embargo on the shipment of servicemembers' post-1976 vehicles into Japan could be lifted. The impact of these stringet emission controls on U.S. military personnel has been extensively explored with the Japanese since the mid-seventies with no success. DOD is continuing to pursue this avenue with the State Department.

ARMY

General **Mitchell**. The exception to the Joint Travel Regulation designating Guam as an alternate port for Japan was made for the express purpose of alleviating the unique hardship imposed on soldiers stationed in Japan/Okinawa. The alternative measures you asked about are not considered appropriate, i.e., variable cost of living allowance, and one time specific cost reimbursements or stipends. A COLA is designed to defray the average excess living costs in a particular overseas area.

Its use to reimburse servicemembers for costs (storage, sales, purchases, etc.) not incurred in the area of assignment defeats its designed purpose. One time reimbursements or stipends could vary widely based on the type and model of POV and place of sale or purchase. Such a program would be extremely expensive and difficult to administer equitably.

An alternative measure for further consideration is DOD proposed legislation 98-79 "To amend section 2634 of title 10 and section 406 of title 37, United States Code, to provide for storage of motor vehicle in lieu of transportation, and for other purposes." This bill would allow storage at Government expense of a motor vehicle during the period of a member's overseas assignment. On May 29, 1983, Office of Management and Budget rejected this proposal as not being cost effective.

NAVY

Admiral **Herberger**. Under current Status of Forces Agreement (SOFA), Japan has the right to impose its automobile licensing standards, including those relating to emission control. The impact of these stringent emission controls has been extensively explored with the Japanese. In addition to talks between the Commander U.S. Forces Japan and the Government of Japan, the issue was raised formally in the U.S.-Japan Joint Committee on two separate occasions without success and a State Department approach to the Japanese Embassy in Washington was also rejected. The Japanese Government requires that all American and foreign vehicles manufactured after March 31, 1976 have a heat shield and a warning device installed. These modifications plus the inspection cost approximately $1,000. An additional $1,000 transportation cost is borne by members stationed in Okinawa, since the inspection takes place only on the Japanese mainland. In 1977, Defense imposed an embargo on the shipment to Japan of POVs manufactured after 1976.

Two alternative approaches have been considered. The Department of the Navy has drafted legislation which, if enacted, would permit Government funded storage of an automobile when shipment to an overseas duty station is precluded. Enactment of such legislation would mitigate the expense of sale or of storage of an automobile now borne by service members. A second alternative, that of providing a cost-of-living allowance (COLA) for personnel precluded from shipping vehicles, would be contrary to the intent of an overseas COLA. The overseas COLA is intended to preserve the purchasing power of the service member's military income in an economy that would otherwise force a living standard reduction.

MARINE CORPS

General **Mead**. Several attempts have been made over the past few years to alleviate the burden on the military members in regard to the restriction on shipment of POVs to/from Japan/Okinawa. A brief summary of these actions is listed below:

Action	Results
(1) Entitle members assigned to overseas post(s) who are precluded by such assignment from shipping their POV, to nontemporary storage of their POV at government expense.	(1) Is being considered in current budget action.
(2) In coordination with host nations, have DOD perform emission control inspection services on POVs. This would include installation of emission control conversion kits and issuance of appropriate certification, as an integral part of CONUS industrially funded Port Terminal Service at government expense.	(2) Determined to be cost prohibitive.
(3) In concert with item (2), entitle members to convert one POV to meet U.S. standards upon return at government expense.	(3) Determined to be cost prohibitive.
(4) Change the Status-of-Forces Agreement [SOFA] with Japan to allow shipment of U.S. POVs into Japan.	(4) Because of the possible international implications and traditional Japanese inflexibility on SOFA matters, pursuing legislative relief was considered more appropriate.

AIR FORCE

General **Oaks**. The Air Force considered other alternative approaches but none would totally satisfy the needs of our people or be cost effective. We support the Navy's proposal for a POV storage entitlement for those who cannot ship a POV overseas; however this initiative does not take into consideration the amount of money an individual loses in depreciation while the car is in storage or the additive cost of purchasing a car to use while in Japan. We also considered providing an increased cost-of-living allowance (COLA) as possible compensation. However, after careful examination the idea was not favorably considered. The fact that all members assigned to Japan would be potentially eligible for the allowance was considered to have several undesirable side effects. For example, implementation of a variable—COLA would require a very complicated verification system which could be vulnerable to "gaming". Additionally, this system would not benefit those individuals who sold a Japanese-made car prior to their return to the U.S. since their out-of-pocket costs could not be determined until their assignment had been completed. On the other hand, an inadequate across-the-board COLA for all assignees would overcompensate those who did not sell or store an automobile and, in all likelihood, would be more expensive to taxpayers than the current system.

[Whereupon, at 1:07 p.m., the subcommittee was adjourned, to reconvene upon the call of the Chair.]

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